

September 1, 1999

Honorable Carol Browner
Administrator
U.S. Environmental Protection Agency
401 M Street, S.W.
Washington, DC 20460

Dear Administrator Browner:

Thank you for participating with us and our representatives on the August 9, 1999 telephone conference to discuss ethanol's potential role in phase 2 of the reformulated gasoline program which begins January 1, 2000. As we discussed during the call, ethanol's benefits and acceptability have been proven, especially in the Chicago and Milwaukee areas in the reformulated gasoline program. We want to see the environmental and agricultural benefits of ethanol continue in phase 2.

The U.S. Environmental Protection Agency has significant opportunities within its existing regulations to maintain and increase the use of ethanol as a method of providing cleaner air for the nation's most congested urban areas. We anticipate increasing opportunities to work with you and await your response to the items we discussed.

To highlight one topic we discussed during the call, you indicated that by this fall the Agency would be reviewing the possibility of implementing a carbon monoxide credit or offset program to account for ethanol's impact on ozone from reduced carbon monoxide emissions. We now understand that you will be providing Illinois by September 14, 1999 confirmation that states will be able to take credit for this carbon monoxide reduction. We appreciate your attention to this approach and we also request similar written confirmation in the same time frame.

The recent National Research Council report recommended amending the reformulated gasoline program regulations to account for this impact and concluded that approximately 20 percent of the ozone forming potential from vehicle exhaust emissions was attributable to carbon monoxide. Providing an appropriate carbon monoxide credit for the additional carbon

monoxide reductions from ethanol could substantially lower the cost of producing blendstocks and assure ethanol's continued use in this important market.

Further, we discussed the mounting concerns about the use of MTBE in the reformulated gasoline program. While you reviewed the need for a legislative solution such as the proposal being suggested by Senator Daschle, we also think that a federal regulatory response to MTBE concerns regarding acute health effects and water contamination would empower consumers to make informed choices. Consumers should know the identity of oxygenates used in their gasoline. A regulation requiring pump labeling of MTBE would be a factor in a refiner's decision regarding which oxygenate to use as well as allowing consumer choice and a more informed public. Please advise on your timeline and process for making these decisions. We would like to know this information, to the extent possible, in the same September timeframe.

You also requested that we provide you with technical experts that can assist EPA in evaluating ethanol's options in phase 2 and regulatory changes such as the carbon monoxide credit program. The following individuals look forward to working directly with you:

Kansas:

Jan Sides, Kansas Department of Health & Environment, Director,
Bureau of Air & Radiation. (785) 296-1551
Chuck Layman, Kansas Department of Health & Environment, Chief
of Planning and Analysis, Bureau of Air & Radiation. (785) 296-
1579

Iowa:

Larry Bean, Iowa Department of Natural Resources. (515) 281-4308

Nebraska:

Larry Pearce, Governor's Policy Research and Energy Office. (402)
471-2867
Todd Sneller, Nebraska Ethanol Board. (402) 471-2941

Illinois:

Tom Skinner, Director, Illinois Environmental Protection Agency.
(217) 782-3397

Wisconsin:

Jeff Knight, Wisconsin Department of Administration. (608) 267-7693

We look forward to continuing our discussions with you during the next several months. We appreciate your cooperation in addressing an issue that is critical to our nation's clean air and agricultural community.

Sincerely,

Bill Graves, Chair
Governor of Kansas

Thomas Vilsack, Vice-Chair
Governor of Iowa

Mike Johanns
Governor of Nebraska

George Ryan
Governor of Illinois