



# Governors' Ethanol Coalition

• **Kansas** Gov. Kathleen Sebelius, Chair • **Nebraska** Gov. Dave Heineman, Vice Chair • **Minnesota** Gov. Tim Pawlenty, Past Chair

<b>Alabama</b> Gov. Bob Riley	<b>Illinois</b> Gov. Rod Blagojevich	<b>Missouri</b> Gov. Matt Blunt	<b>Ohio</b> Gov. Bob Taft	<b>Tennessee</b> Gov. Phil Bredesen
<b>Arizona</b> Gov. Janet Napolitano	<b>Indiana</b> Gov. Mitch Daniels	<b>Montana</b> Gov. Brian Schweitzer	<b>Oklahoma</b> Gov. Brad Henry	<b>Texas</b> Gov. Rick Perry
<b>Arkansas</b> Gov. Mike Huckabee	<b>Iowa</b> Gov. Thomas Vilsack	<b>New Mexico</b> Gov. Bill Richardson	<b>Oregon</b> Gov. Ted Kulongoski	<b>Washington</b> Gov. Christine Gregoire
<b>Colorado</b> Gov. Bill Owens	<b>Kentucky</b> Gov. Ernie Fletcher	<b>New York</b> Gov. George Pataki	<b>Puerto Rico</b> Gov. Anibal Acevedo-Vilá	<b>Wisconsin</b> Gov. Jim Doyle
<b>Hawaii</b> Gov. Linda Lingle	<b>Michigan</b> Gov. Jennifer Granholm	<b>North Carolina</b> Gov. Mike Easley	<b>South Carolina</b> Gov. Mark Sanford	<b>Wyoming</b> Gov. Dave Freudenthal
<b>Idaho</b> Gov. Dirk Kempthorne	<b>Mississippi</b> Gov. Haley Barbour	<b>North Dakota</b> Gov. John Hoeven	<b>South Dakota</b> Gov. Mike Rounds	

• International alliances with Brazil, Canada, Mexico, Sweden and Thailand •

January 3, 2006

The Honorable George W. Bush  
President of the United States  
The White House  
Washington, DC 20500

Dear Mr. President:

On behalf of the Governors' Ethanol Coalition, we greatly appreciate your support of important ethanol policies, such as the recently enacted renewable fuels standard. The nation's investment in ethanol is delivering results, and we appear to be on track to replace five percent of the nation's transportation fuel with domestically produced ethanol and biodiesel by 2012 — a tremendous achievement. However, the Coalition is gravely concerned that the combination of increasing global competition for oil supplies and the massive transfer of our wealth to unstable oil producing nations is unsustainable and dangerous for the nation and our states.

The Coalition urges you to take immediate steps to expand significantly ethanol production from a wider range of feedstocks including cellulosic sources. To achieve such a production expansion requires a relatively modest federal commitment — one that complements the considerable resources provided by many of our states. Therefore, we urge you to fully fund the U.S. Department of Energy (DOE) and U.S. Department of Agriculture (USDA) programs of biofuels research, development, and demonstration authorized in the *Energy Policy Act of 2005*.

• *Funds for Bioenergy Research, Development, Demonstration, and Incentives*

The Coalition recommends providing a total of \$550 million for the closely coordinated, federal bioenergy programs operated by DOE and USDA. Specifically, we request the President's Budget include \$100 million for the DOE Biomass Program, and an additional \$100 million for the related Integrated Biorefinery Demonstration effort authorized under Section 932 of the *Energy Policy Act of 2005*. These activities are key to both moving cellulosic ethanol production forward and enhancing the value of existing ethanol and biofuel production.

The Coalition also strongly recommends that USDA's Biomass Research and Development Program be funded at not less than \$100 million for cellulosic ethanol research activities. This program's complimentary focus on collaborative research and development with the states and industry is essential to delivering substantially greater quantities of biofuels.

Finally, experiences in our own states with reverse auction incentives have shown their tremendous value. We recommend \$250 million for the Section 942 reverse auction production incentive authorized in the *Energy Policy Act of 2005*. Funding this incentive for cellulosic-derived ethanol will provide needed market-pull to bring innovative production processes to both existing ethanol facilities using the fiber associated with the kernel of corn, as well as new facilities in other regions of the nation using an array of

locally available feedstocks. The Coalition believes the competitive provision of incentives over a period of several years would result in significant ethanol production from a range of feedstocks.

The funds for these four activities comprise our nation's biofuels program and will make near-term contributions to our energy security by aiding industry in utilizing the cellulose associated with the kernel of corn and corn stover — making ethanol production even more efficient. Importantly, this work will also allow producers to add other biomass feedstocks, resulting in ethanol production spreading to all regions of the nation.

- *The Need for the Creation of a National Bioenergy Trust Fund*

There are few issues facing the nation that are more serious than our reliance on imported oil and the ramifications of global competition for this resource. The Coalition believes that the safest and cheapest way to address this situation is to mount a serious national effort to significantly expand ethanol and other biofuel production and use. This can only be achieved through a consistently well-funded program of research, demonstration, and infrastructure development. National leadership on this issue is needed, and the current funding for these efforts is not adequate. Moreover, the consistency of funding for these programs is increasingly problematic. For example, in FY'2006, the DOE Biomass Program's modest budget included congressionally directed spending earmarks, which totaled 57 percent of available program funds. A serious national program cannot be mounted under these circumstances, and a new approach to funding is required.

The Governors' Ethanol Coalition urges you to consider the creation of a national trust fund to ensure consistent and elevated funding for bioenergy research, demonstration, and infrastructure development. Your leadership on this issue is greatly needed and would result in a real national commitment to high-priority, cost-shared research funding. Moreover, the approach of a trust fund is consistent with funding for other high-priority infrastructure development such as transportation and telecommunications. We see in our own states the impact on our citizens of the structural shift upward in oil prices and have reached the conclusion that a national fund is essential to overcoming this crisis in our energy supply system.

Ethanol from traditional and new sources can provide a greater share of our transportation fuels and cellulosic-derived ethanol can achieve mainstream commercialization by 2015 — resulting in true diversification of our energy supply and use within ten years. The Coalition requests your support of the appropriations needed to achieve this goal. We look forward to working with you and Congress on this important effort.

Sincerely,



Kathleen Sebelius, Chair  
Governor of Kansas



Dave Heineman, Vice Chair  
Governor of Nebraska



Tim Pawlenty, Past Chair  
Governor of Minnesota

c. Honorable Samuel Bodman,  
Secretary of Energy  
Honorable Mike Johanns,  
Secretary of Agriculture  
Honorable Josh Bolten,  
Director, Office of Management and Budget  
Honorable Tom Harkin  
Honorable Richard Lugar  
Honorable Barack Obama

Honorable Pete Domenici  
Honorable Jeff Bingaman  
Honorable Harry Reid  
Honorable Robert Bennett  
Honorable Herb Kohl  
Honorable David L. Hobson  
Honorable Peter J. Visclosky  
Honorable Henry Bonilla  
Honorable Rosa DeLauro