

Remarks of Senator Chuck Grassley (R-IA)
American Council On Renewable Energy Policy Forum
Thursday, April 23, 2015

I'm glad to have this opportunity to be with you this morning. You represent many of the leaders in the renewable energy industry. I'm a long-time supporter of efforts to diversify our energy supply with clean-burning, homegrown renewable energy. I come from a state that's been blessed with rich, productive soil and abundant agricultural resources.

Iowa is a leader in feeding our nation and the world. We lead the nation in the production of corn, soybeans, hogs and eggs. Iowa also leads the nation in renewable energy production. It's the largest producer of alternative fuels. It has the capacity to produce more than 4 billion gallons of clean-burning ethanol and biodiesel, including 22 million gallons of annual cellulosic ethanol production capacity.

And, Iowa is third in the nation in wind energy capacity. More than twenty-seven percent of Iowa's electricity comes from wind – making it the number one in the nation in percentage from wind. The state of Iowa is proving that our farmers and ranchers can simultaneously produce the food, feed, fuel and fiber that our country needs. During the past 30 years, we've witnessed tremendous growth in the renewable energy industry. Because of the success of America's biofuel producers, renewable fuels now account for ten percent of our nation's transportation fuel supply.

Homegrown biofuels are extending our fuel supply and lowering prices at the pump for consumers.

Biofuels are reducing our dependence on finite fossil fuels. They keep more money at home rather than sending it to Persian Gulf countries that may wish to do us harm. In 2005 and again in 2007, the federal government made a commitment to homegrown, renewable energy when Congress passed the Renewable Fuel Standard. The greatly expanded RFS II passed the Senate by a vote of 86-6.

In recent years, I've fought off efforts to undermine homegrown renewable energy by Big Oil and Big Food. Biofuel proponents have dispelled the myths and misinformation campaigns that have been launched to discredit ethanol and biodiesel. And once again, biofuels are under attack.

This time the attack has come from President Obama's Environmental Protection Agency. The EPA's severe misstep with its proposed Renewable Volume Obligations released in November 2013 has been harmful to biofuel producers, to rural economies, our national security and our environment. Biofuel producers have responded to the call for more homegrown, renewable energy. But, the proposed rule released by the EPA undermines that commitment.

The RFS was created by Congress to pull biofuels into the market. It was created with the intention to transform our fuels market toward E85 or E30 or E15. Limiting the RFS to levels that can be met with existing infrastructures eliminates the incentive to invest and develop the next generation of biofuels.

The EPA's proposal was a reward for Big Oil's stubbornness. The EPA essentially decided to put oil producers in charge of the Renewable Fuel Standard. I'm glad the EPA decided to scrap its proposal and begin on a new proposal to set the Renewable Volume Obligations for 2014, 2015 and 2016.

In February, I sent a letter to EPA Administrator McCarthy with 32 of my Senate colleagues to press the EPA to live up to its legal obligation to provide certainty to the biodiesel industry and the thousands of workers it employs by setting long-delayed production standards.

I'm pleased to announce that today, Senator Klobuchar and I are sending a similar letter to EPA Administrator McCarthy to request that it reverse course from the 2014 proposed rule and craft targets for domestic biofuels that reflect Congress' intended goals for the RFS. This bipartisan letter has the support of 37 members of the Senate.

We need volume requirements that implement the RFS consistent with the law, so that the RFS continues to promote investment in advanced biofuels and the infrastructure necessary to get the fuels into the market. Biofuel producers need federal policies that promote stable, secure energy. We need energy sources that enhance our national security, not threaten it.

And most of all, we need to use the resources God gave us here at home, whether that be domestic oil and gas, nuclear power, or wind and biofuels. Over the past thirty years, our national security and economic well-being has been too dependent on oil imports from tin-horn dictators and regimes that sought to do us harm.

When you look at the big gurgling mess in the Middle East today, isn't it more clear than ever that we should do everything and anything possible to wean ourselves of foreign oil? We don't need to put a Navy fleet in harm's way to protect the shipping lanes for biofuels out of the Midwest. Our country needs a true all-of-the-above energy policy. We can't let our foreign policy be dictated by foreign oil dependence.

I'm also glad to have supported renewable electricity, particularly wind. I first authored the Wind Energy Production Tax Credit in 1992 to drive this renewable energy technology. I've worked for many years to provide as much certainty as possible to grow the domestic wind industry. Renewables such as hydropower, wind, and solar currently produce fifteen percent of our nation's electricity.

Last year, nearly fifty percent of all new electric generating capacity came from renewables. I know firsthand the boom and bust cycle that exists for renewable energy producers when Congress fails to extend critically important tax incentives. The lapse of renewable energy incentives has created a lot of uncertainty and slowed growth in the renewable industry.

This serves only to hamper the strides made toward a viable self-sustainable renewable energy and fuel sector. In recent years, there's been an increasing amount of opposition to some renewable electricity tax incentives. I'm sympathetic to the argument that the tax code has

gotten too cluttered with too many special interest provisions. That's the reason many of us have been clamoring for tax reform for years now.

But, just because we haven't cleaned up the tax code in a comprehensive way doesn't mean that we should pull the rug out from under domestic renewable energy producers. Doing so would cost jobs, and harm our economy, the environment and our national security.

The wind industry today supports 80,000 American jobs. The tax incentive has spurred \$105 billion in private investment in the U.S. since 2005. Opponents of the renewable energy provisions would like to have this debate in a vacuum. They disregard the many incentives and subsidies that exist for other sources of energy, and are permanent law.

For example, the 100 year-old oil and gas industry continues to benefit from tax preferences that benefit only their industry. These are not general business tax provisions – they are specific to the oil and gas business. Here are a few examples:

- Expensing for intangible drilling costs
- Deduction for tertiary injectants
- Percentage depletion for oil wells
- Special amortization for geological costs

These four tax preferences for this single industry result in the loss of more than \$4 billion annually in tax revenue. Nuclear energy is another great example. The first nuclear power plant came online in the United States in 1958 – 57 years ago. Nuclear receives special tax treatment for interest from decommissioning trust funds.

Congress created a production tax credit for this mature industry in 2005, which is available until 2020. The nuclear industry also benefits from Price-Anderson -- federal liability insurance that Congress provided as a temporary measure in 1958. This temporary measure has been renewed through 2025. Nuclear energy has also received \$74 billion in federal research and development dollars since 1950. Are these crony capitalist handouts? Is it time to end market distortions for nuclear power?

I authored the wind incentive in 1992. I know it won't go on forever. It was never meant to, and it shouldn't. I'm happy to discuss a responsible, multi-year phase out of the wind tax credit. In 2012, the wind industry was the only industry to put forward a phase-out plan. But, any phase-out must be done in the context of comprehensive tax reform, where all energy tax provisions are on the table. And, it should be done responsibly over a few years, to provide certainty and ensure a viable industry. Good tax policy requires certainty that can only come from long-term predictable tax laws. Businesses need certainty in the tax code so they can plan and invest accordingly. The only sound way to reach this goal is through comprehensive tax reform. Targeting certain provisions for elimination outside tax reform makes little sense. I will work for a responsible transition for the wind production tax credit and hope to achieve a sensible policy for those who depend on it.