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National Security Interests Require Tax Incentives for Biofuels and Advanced Biofuels

By Robert E. Kozak (Advanced Biofuels USA) Frederick, MD -- March 14, 2001. With the oil industry, a 150-year old mature enterprise, still receiving at least 2.5 times the subsidies of the renewable fuel industry (\$72 billion 2002-2008, Environmental Law Institute 2009 study), it is disingenuous at best to say the ethanol industry is unique in receiving such government incentives.

More important, with international oil supplies once again becoming unstable and costly, to remove the primary financial incentive driving the establishment of a non-food advanced (cellulosic) ethanol industry is not only counterproductive but against the national security interests of the country.

The US exports about \$800 million dollars/day for oil imports (8 million barrels @ \$100/barrel). In 10 days that is \$8 Billion dollars, or more than the annual value of VEETC.

Those who oppose such incentives are saying that building a home-grown renewable fuel industry is not worth 10 days of oil imported from countries like Saudi Arabia and Venezuela.

With the help of public policies such as VEETC the ethanol industry has in the 10 years since 2001 reached levels of production efficiency that the oil industry took almost 60 years to reach (1910-1970).

In addition, ethanol is now a major cushion against oil supply disruptions since 10% of the country's gasoline usage has been substituted with home-grown ethanol. If "Ethanol" were a country, it would be in the top 3 of importers.

That value could increase substantially if the government would seriously support a major home-grown renewable transportation fuel supply. Public policies to be pursued should include the following:

- o Optimized E-85 Flex Fuel vehicles that increase E-85 mileage to levels near that of gasoline are close to production. The government should immediately become an early adopter and begin ordering them.
- o Land use policies at all levels of government need to be redirected to preserve agricultural land. Between 1982 and 2003, 33 million acres of prime farm land was lost to residential and commercial development (USDA/NRCS data). Ethanol produced from non-food crops on this land could have reduced oil imports by at least 25%.
- o VEETC should be continued since it provides funding for the industry to improve the efficiency of ethanol production. This reduces the amount of biomass and energy needed to produce the fuel and the amount of GHGs released during production. NRDC estimates such improvements would reduce GHGs from about 20 lbs/CO₂/gallon to -8 lbs/CO₂/gallon.
- o In addition, with many advances in the production of non-food ethanol attempting to get funding for prototypes, the elimination of the VEETC would send a negative shock wave through the financial community. This would virtually stop the creation of a 2nd generation production capability for at least 5-10 years. Is this the future those who oppose biofuels tax incentives wants for the US?

We cannot improve energy security and national security if we settle for a status quo where US consumers continue to spend billions of dollars on imported oil. Worse yet, US taxpayers will continue to spend our national treasure of lives and hundreds of billions of dollars protecting the Persian Gulf and propping up decrepit, non-democratic oil producing dictatorships.

It would seem logical that if anyone is seriously interested in both reducing the US government budget and rebuilding the US economy they will focus on cutting hundreds of billions of dollars in the US government budget that supports oil producing dictators and wars to maintain oil supplies. And, instead of cutting a relatively small (\$7 billion/year for VEETC versus \$100 billion/year for Iraq) program that is equal to only 10 days worth of imported oil, they should support the development of a home-grown renewable advanced biofuels industry.

Advanced Biofuels USA, a nonprofit educational organization, advocates for the adoption of advanced biofuels as an energy security, military flexibility, economic development and climate change mitigation solution. Dedicated to promoting the understanding, development and use of advanced biofuels, the Advanced Biofuels USA web site serves as a library on biofuels and advanced biofuels for everyone from teachers and students to reporters, producers, industry professionals, opinion-leaders, policy advocates and decision-makers.

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