AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

110TH CONGRESS
2D SESSION

S. 3080

To ensure parity between the temporary duty imposed on ethanol and tax credits provided on ethanol.

IN THE SENATE OF THE UNITED STATES

JUNE 4, 2008

Mrs. FEINSTEIN (for herself, Mr. GREGG, Ms. CANTWELL, Mr. ALLARD, and Ms. COLLINS) introduced the following bill; which was read twice and referred to the Committee on Finance

---

A BILL

To ensure parity between the temporary duty imposed on ethanol and tax credits provided on ethanol.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Imported Ethanol Parity Act''.

SEC. 2. FINDINGS.

Congress finds the following:

(1) On May 6, 2006, the Chairman of the Finance Committee of the Senate stated on the Senate floor that, ''the United States tariff on ethanol oper-

ates as an offset to an excise tax credit that applies to both domestically produced and imported ethanol.''.

(2) On May 9, 2006, the Renewable Fuels Association stated: ''the secondary tariff exists as an offset to the tax incentive gasoline refiners receive for every gallon of ethanol they blend, regardless of the ethanol's origin.''. In May 2008, the Renewable Fuels Association's Executive Director asserted that ''The tariff is there not so much to protect the industry but the United States taxpayer.''.

(3) In a letter to Congress dated June 20, 2007, the American Coalition for Ethanol, the American Farm Bureau Federation, the National Corn Growers Association, the National Council of Farmer Cooperatives, the National Sorghum Producers, and the Renewable Fuels Association stated that the ''(blender) tax credit is available to refiners regardless of whether the ethanol blended is imported or domestic. To prevent United States taxpayers from subsidizing foreign ethanol companies, Congress passed an offset to the tax credit that foreign companies pay in the form of a tariff.''.

(4) The Food, Conservation, and Energy Act of 2008, as contained in the Conference Report to ac-

company H.R. 2419 in the 110th Congress, proposes to decrease the excise tax credit for blending ethanol from $0.51 to $0.45 per gallon, but extend the $0.54 per gallon temporary duty on imported ethanol, increasing the competitive disadvantage of ethanol imports in the United States marketplace. The legislation would transform a tariff designed to offset a domestic subsidy into a real import barrier of at least $0.09 per gallon.

(5) The State of California is adopting a Low Carbon Fuels Standard that requires a reduction in the lifecycle greenhouse gas emissions from transportation fuels, and the Energy Independence and Security Act of 2007 requires the United States to use increasing quantities of ‘‘advanced biofuels’’ that have lifecycle greenhouse gas emissions that are at least 50 percent less than lifecycle greenhouse gas emissions from gasoline.

(6) The lifecycle greenhouse gas emissions of ethanol vary depending on production methods and feedstocks. These differences will impact the degree to which ethanol may be used to meet ‘‘low-carbon’’ fuel requirements under California law and the Energy Independence and Security Act of 2007.

(7) Sugar cane ethanol plants use biomass from sugar stalks as process energy, resulting in less fossil fuel input compared to current corn-to-ethanol processes.

(8) The 2007 California Energy Commission Report, entitled ‘‘Full Fuel Cycle Assessment: Well-to-Wheels Energy Inputs, Emissions, and Water Impacts’’, concluded that the direct lifecycle greenhouse gas emissions of imported sugar based ethanol are 68 percent lower than gasoline, while the direct lifecycle greenhouse gas emissions of corn based ethanol from the Midwest are 15 to 28 percent lower than gasoline.

(9) The cost to ship ethanol by sea from foreign production areas to California is competitive with the cost to ship ethanol by rail from the American Midwest, according to ethanol producers and importers.

(10) Ethanol production will vary from region to region each year based on crop performance, and a global biofuels marketplace would permit mutually beneficial trade between producing regions capable of stabilizing both fuel and food prices.

(11) In March 2007, the United States and Brazil entered into a strategic alliance to cooperate

on advanced research for biofuels, develop biofuel technology, and expand the production and use of biofuels throughout the Western Hemisphere, especially in the Caribbean and Central America.

(12) On March 9, 2007, President Bush stated ‘‘it’s in the interest of the United States that there be a prosperous neighborhood. And one way to help spread prosperity in Central America is for them to become energy producers.’’.

(13) According to a February 2008 study by the Massachusetts Institute of Technology, titled ‘‘Biomass to Ethanol: Potential Production and Environmental Impacts’’, the current ethanol distribution system in the United States is not capable of efficiently supplying ethanol to the East Coast markets.

SEC. 3. ETHANOL TAX PARITY.

Not later than 30 days after the date of the enactment of this Act, and semiannually thereafter, the President shall reduce the temporary duty imposed on ethanol under subheading 9901.00.50 of the Harmonized Tariff Schedule of the United States by an amount equal to the reduction in any Federal income or excise tax credit under section 40(h), 6426(b), or 6427(e)(1) of the Internal Revenue Code of 1986 and take any other action necessary to ensure that the temporary duty imposed on ethanol under such subheading 9901.00.50 is equal to, or lower than, any Federal income or excise tax credit applicable to ethanol under the Internal Revenue Code of 1986.