

Clean Air Task Force * Friends of the Earth * World Wildlife Fund

November 18, 2008

President-Elect Barack Obama
Presidential Transition Team
Washington, DC 20127

The Honorable Nancy Pelosi
United States House of Representatives
235 Cannon House Office Building
Washington, D.C. 20515-0508

The Honorable Harry Reid
United States Senate
528 Hart Senate Office Building
Washington, D.C. 20510-2803

Dear Sirs and Madam:

On behalf of our millions of activists and members, we are writing to you on this, the 30th anniversary of the passage of the first taxpayer subsidies for the biofuel industry, to encourage you to work in the coming year to begin phasing out these subsidies as currently structured. We make this request based on our belief that reducing and ending subsidies for biofuels as they now stand could speed our nation's transition toward sustainable energy solutions that do not pit our thirst for fuel against the necessity to reduce global warming pollution and avoid the catastrophic impacts of climate change.

In November 1978, the Energy Tax Act created the first taxpayer subsidies for the ethanol industry. Thirty years later, the biofuel industry is the recipient of nearly \$5 billion per year in taxpayer subsidies. The biofuel industry also enjoys a government mandate requiring production of billions of gallons of biofuels.

Recent scientific and economic studies have raised serious concerns about the policy rationale behind government support for biofuels. Leading scientific researchers have concluded that expanded use of biofuels, no matter what the feedstock, can create a variety of environmental challenges, including increased greenhouse gas emissions.

This is not to say we should abandon support for all biofuels, especially those that could have a positive impact on the environment and human health. However, rather than providing a blanket incentive for biofuels, as the various existing biofuel tax credits do, these tax credits should be tied to environmental performance standards. Only those biofuels that are the most

environmentally sustainable should receive tax-payer incentives. Biofuels produced with the greatest life-cycle greenhouse gas emission reduction should receive the greatest tax credit, while those that do not reduce life-cycle greenhouse gas emissions should receive no subsidies at all. Additional environmental criteria should also be achieved in order to receive a tax credit, including basic agricultural conservation standards and protections for forests and other native and natural lands.

Potential impacts of biofuel policies on food price and availability both in the US and in developing countries should be assessed and addressed prior to policy implementation. Prominent agricultural economists and food policy experts have concluded that US support for biofuel production has led to increased prices for food both at home and abroad. The effect of increased food costs while people are struggling to keep their jobs, pay their bills and meet their basic needs is devastating for those most in need. Although there are many factors impacting food prices, policies that incentivize biofuels are a significant factor – not to mention a factor that the government can easily, and must, change.

In the coming year, we call upon all of you to work together to phase out biofuel subsidies as currently structured. Taking this step will promote innovation toward energy solutions that will promote our nation's energy independence without compromising our need for enhanced environmental protection and continued access to affordable food.

Sincerely,

Jonathan Lewis
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Clean Air Task Force

Kate McMahon
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Friends of the Earth

Jessica McGlyn
Senior Program Officer
World Wildlife Fund