

United States Senate
Committee on Finance



Sen. Chuck Grassley · Iowa
Ranking Member

<http://finance.senate.gov>
Press_Office@finance-rep.senate.gov

MEMORANDUM

To: Reporters and Editors
Re: U.S. tariff on ethanol imports
Da: Thursday, Jan. 25, 2007

Energy Secretary Samuel Bodman was quoted in media reports today saying the U.S. tariff on ethanol imports will probably need to be lifted to meet the administration's goal of increasing the use of renewable fuels. Sen. Chuck Grassley, ranking member of the Committee on Finance, made the following comment on that statement.

“Secretary Bodman has called for lifting the ethanol tariff before. Once again, he has it wrong. Brazil is the world's other major ethanol producer, and that country doesn't have enough ethanol to export at significant levels now. Brazil isn't on the verge of being able to export significant amounts. In addition, Brazil already can, and does, ship duty-free ethanol to the United States. Under the Caribbean Basin Initiative, Brazilian ethanol that is dehydrated in a Caribbean country can enter the U.S. market duty-free up to seven percent of the U.S. ethanol market. That's generous access, but Brazil has never even come close to hitting the seven percent cap. The third-largest ethanol producer, China, is already exporting ethanol to the United States and other countries and could benefit from lifting the tariff.

“Developing alternative energy is meant to wean the United States from foreign sources of energy. Lifting the ethanol tariff would undermine faith in the domestic renewable fuels industry. We need to continue the current supportive policies of the domestic industry. By maintaining these policies, we'll ensure the growth of the domestic industry. We'll continue to develop even more sources of ethanol, including cellulosic ethanol from corn stover, switchgrass, and wood waste. Lifting the tariff would only undercut our domestic efforts, virtually eliminate any chance of developing ethanol from other sources, and potentially leave us dependent on foreign sources for our ethanol when other countries develop their industries.”