

## Senator Charles Grassley (R-IA) to National Biodiesel Board (June 18, 2008)

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I'm pleased to have the opportunity this morning to speak to the leaders in the biodiesel industry.

I've long been a strong supporter of the production of homegrown, renewable fuels.

For more than three decades, our nation has been seeking varied approaches to developing alternative energy.

We've done that to reduce our dependence on foreign sources, and more recently, violent and unpredictable sources.

Our national security and our economic security are at risk because of our dependence on foreign oil. The more we produce here at home in rural America, the fewer dollars we're sending to oil sheiks in the Mideast.

There are many reasons why we need to develop and use renewable and alternative energy.

It's good for the environment.

It's good for the agriculture industry and rural economies.

And perhaps most importantly, it will ensure a stable, secure, domestic supply of affordable energy.

In the U.S. Senate, I've been one of the most outspoken advocates for the renewable energy sources that are advancing America's pursuit towards energy independence.

I've worked to lay the foundation with polices that support renewable energy development.

As Chairman of the Senate Finance Committee, I worked successfully to lock in certainty in the federal tax code so farmers and investors like yourselves could make the necessary investment in biofuels projects.

Today, as the Ranking Member of the Finance Committee, I continue to champion tax incentives that promote consumption and production of domestically produced green energy.

There are several incentives contained in the Senate Republican Leadership tax extenders bill introduced on June 6.

The Senate has been in a rut for the past week on extenders thanks to the Democratic leadership.

Just yesterday, that leadership forced the Senate to repeat the exact same cloture vote, on a motion to consider the House bill, that we did last Tuesday.

That vote had the same result as last weeks vote; that vote failed.

The Democratic leadership came up 8 votes short.

The main issue dividing Republicans and Democrats on extenders comes down to the desire by House and Senate Democrats to offset the extension of existing tax policy.

That means they wants to raise taxes on someone else to extend these popular and widely used provisions.

Republicans are not universally opposed to offsets.

Republicans will support offsets if they make sense on the policy merits.

If the revenue-raising proposal makes policy sense and offsets the revenue loss for new tax policy, then it will likely garner majority support in the Senate Republican Conference.

The Senate Democratic Leadership bill also contains numerous provisions that do not either extend or make permanent expiring tax provisions.

On the other hand, the Republican bill really is an extenders bill, with all of the provisions in the Senate bill extending or making permanent expiring tax provisions.

Included in the Senate Democratic Leadership bill is a proposal to give \$1.2 billion in tax credits to New York City even though New York City does not pay federal tax.

This proposal is widely reported to fund the building of a train from Manhattan to John F. Kennedy Airport, through the use of New York Liberty Zone tax credits.

According to the Joint Committee on Taxation, Congress has never before provided a tax benefit such as this to a governmental unit before.

The bill provides a new \$1.6 billion tax benefit just for trial lawyers.

It allows trial lawyers to deduct their up-front expenses in contingency fee cases, even though they expect to recover them when they win or settle the case.

And these trial lawyers do expect to win or settle their case.

Otherwise, they wouldn't take the case on a contingency fee basis.

Now let's look at the Senate Republican Leadership bill.

It contains Alternative Minimum Tax relief and extensions of individual and business tax provisions with no offsets.

It also includes the Ensign/Cantwell energy tax incentives, an un-offset provision which was approved by the Senate by a vote of 88 to 8.

This means that an overwhelming majority of Senators were willing to pass these energy extenders without requiring offsets.

The good news is everyone agrees on the treatment of biodiesel.

All of the bills either already contain or will contain an extension through 2009 of the biodiesel production tax credit of \$1.00 per gallon.

In addition, they extend the small biodiesel producer credit of 10 cents per gallon.

The bills also eliminate the current-law disparity in credit for biodiesel and agri-biodiesel.

Also, diesel fuel that is created by co-processing biomass with other feedstocks will no longer be allowed the \$1.00 renewable diesel credit.

Finally, biodiesel that is imported and sold for export would not be eligible for the credit.

The way forward is for the Democratic leaders to stop playing politics.

They need to stop scheduling votes that they know will fail.

It is very important that we quickly put together an extenders bill that will receive 60 votes on the floor of the Senate that the President will be able to sign.

I am committed to working with the Democratic leadership if they are willing to stop generating headlines and sound bites and generate real legislation.

I hope that Congress can pass and get a bill to the President to provide the necessary certainty for the biodiesel industry.

Another matter that I've been fighting is the anti-biofuels "food before fuel" campaign, led by the Grocery Manufacturers Association.

Biofuels are being made the scapegoat for a whole variety of problems.

Never before have the benefits of ethanol and renewable fuels been so questioned and criticized.

The problem is, none of these criticisms are based on sound science, economics or even common sense.

There is a high-priced, Beltway public relations firm behind the smear campaign.

They've outlined their strategy of using environmental, hunger and food aid groups to demonstrate their contrived "crisis."

Food prices are going up, and I'm sympathetic to those at home and abroad who are struggling with the higher prices.

But to put all the blame at the feet of the U.S. biofuels industry is outrageous and misplaced.

Worldwide economic growth, global weather problems, rising marketing costs and the weak U.S. dollar are all having a greater impact on food prices than biofuels.

The biggest culprit behind the rising food costs is \$135 a barrel oil.

It's also important to keep in mind that a tiny fraction of the cost of retail food is a result of farm inputs. Of a retail dollar, the farm value is around 19 cents.

In a \$5 box of corn flakes, there is less than 10 cents worth of corn.

The value of the corn in a pound of beef or pork is only 20 to 30 cents.

Lifting the biofuels mandate or reducing the incentives won't ease corn or food prices, because energy costs are a much greater factor.

But, using less biofuels will increase our demand for crude oil and raise prices at the pump even higher.

If high energy prices are the cause, how could decreasing the supply of energy be the solution?

While biofuels are easy to blame, it's intellectually dishonest to make these claims.

That's why I've been leading a campaign to respond to the grocery association's misinformation efforts.

I've offered to meet with them and the CEOs of 15 of their most prominent members next Tuesday with USDA Secretary Schafer.

So far, I've only heard from four, and only one has agreed to attend.

You'd assume that with all they've invested in this campaign, they'd jump at the chance to meet with me and Secretary Schafer.

That doesn't appear to be the case.

But, I'll keep pounding home the facts behind the relationship between food prices and biofuels policies.

The fact is, biofuels are increasing our national security, helping our balance of trade, and reducing our dependence on Middle East oil and the whims of Big Oil.

It's time we clear the air, look at the facts, and recognize once again that everything about our domestic renewable fuels industry is good, good, good.