



November 29, 2011

TO THE MEMBERS OF THE UNITED STATES CONGRESS:

The U.S. Chamber of Commerce and the Brazil-U.S. Business Council urge you to allow the import tariff on foreign ethanol and the Volumetric Ethanol Excise Tax Credit (VEETC) to expire at the end of this year.

There is no need for this subsidy. The domestic ethanol industry is thriving and already benefits from a federal mandate that requires the consumption of 36 billion gallons of renewable fuels by 2022. The U.S. ethanol industry has become a competitive net exporter, sending record volumes of ethanol, tariff-free, to Brazil in the past few months.

The \$0.54-per-gallon import tariff on foreign ethanol, in addition to a mandatory 2.5% *ad valorem* tax that importers must pay, add up to an increased cost of about \$0.60 per gallon. These trade barriers prevent U.S. consumers from abundant and potentially more economical choices from friendly nations like Brazil, while benefiting a mature domestic industry that receives \$0.45 per gallon to blend ethanol and gasoline, costing American taxpayers approximately \$6 billion annually.

Furthermore, the elimination of the import tariff on foreign ethanol would create an open, competitive marketplace resulting in more choices for consumers, less global fuel price volatility, and perhaps most importantly, increased savings at the gas pump for U.S. drivers. It would also decisively contribute to the United States' energy security by allowing a more diverse sourcing of imported fuel.

Finally, the elimination of the import tariff is a long-standing request from Brazil. During President Barack Obama's trip to that country last in March, 2011, he raised the level of the U.S. bilateral relationship with Brazil to that enjoyed by China and India. He also set up the presidential-level Strategic Energy Dialogue with the Government of Brazil and emphasized the need to deepen bilateral commercial ties. By eliminating the tariff, Congress can pave the way for better engagement with Brazil—a key market for the National Export Initiative—with promising opportunities for U.S. renewable energy, oil and gas, nuclear, energy efficiency, and green technology companies.

The Senate has already voted on this issue. Earlier this year, the Senate approved the Feinstein Amendment to S. 782, the "Economic Development Revitalization Act of 2011" requiring the elimination of both the import tariff and the subsidy. The House of Representatives has also taken votes which indicate strong support for ending both the tariff and the credit this year.

The Chamber and the Brazil-U.S. Business Council urge you to allow this trade distorting import tariff to expire.

Sincerely,

Brazil-U.S. Business Council
U.S. Chamber of Commerce