

December 12, 2011

The Honorable Dave Camp
Chair, Ways and Means Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Max Baucus
Chair, Finance Committee
U.S. Senate
Washington, DC 20510

The Honorable Sander Levin
Ranking Member, Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Orrin Hatch
Ranking Member, Finance Committee
U.S. Senate
Washington, DC 20510

Dear Chairman Camp, Chairman Baucus, Ranking Member Levin, and Ranking Member Hatch,

We are writing to encourage you to extend two critical tax incentives – the Cellulosic Biofuels Producer Tax Credit (PTC) and the Special Depreciation Allowance for Cellulosic Biofuel Plant Property – that are vital to the ongoing development of the domestic advanced ethanol industry. To ensure stability in the marketplace, and prevent unnecessary job losses, Congress should provide long-term extensions of these provisions (5+ years).

The U.S. renewable fuels industry is already an American success story. First generation biofuel production now annually displaces the need for roughly 445 million barrels of imported oil (more than we import from Saudi Arabia annually) and has created an estimated 400,000 direct and indirect jobs in the United States, with 70,000 added in 2010 alone. The industry built more than 200 biorefineries during a 20 year period in which much of the U.S. manufacturing base was being exported to foreign countries like China, Brazil and India.

The advanced and cellulosic biofuels industry is now in the process of building new plants, innovating existing production facilities with emerging technologies, and introducing new product streams that will allow the renewable fuels sector to become more profitable, diversified and efficient. Several billion dollars have been invested in advanced biofuels development with the expectation that Congress will stay the course with regard to its commitment to the industry. A tax increase on advanced biofuels at this time would curtail investment and undercut an industry just starting to close deals and break ground on first commercial plants.

We are aware that some Members of Congress would like to have a broader conversation about energy tax policy. We would strongly support a comprehensive approach to energy tax reform, and would look forward to the opportunity to discuss with you what fundamental tax reforms would be necessary to allow our industry to excel in a more competitive marketplace.

However, it is important to note that, in the interim, incumbent energy sectors already enjoy the types of tax incentives we are seeking to extend. For example, according to the Joint Committee on Taxation, special depreciation allowances are one of the most ubiquitous corporate tax subsidies in the United States (accounting for roughly \$60 billion in tax breaks

annually), and are heavily relied upon by the oil and gas industry to lower tax rates and de-risk investment in technological development and deployment. Allowing this type of incentive to expire for cellulosic biofuels, but remain for incumbent industries, in essence distorts economic behavior in favor of the status quo and dampens investor interest in non-petroleum alternatives that should be allowed to compete on a level playing field in the U.S. marketplace.

As Congress considers the extension of a number of tax provisions for the clean energy sector, we would also like to highlight the importance of timing. The mere prospect of the expiration of the PTC and Special Depreciation Allowance for cellulosic biofuels in 2012 will start to affect projects that take 18 months to build, and could drive our industry into a series of “fits and starts” that has dampened investment in other domestic clean energy sectors for decades.

We appreciate your ongoing support for the advanced biofuels industry and look forward to further discussion of this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Brooke Coleman', with a long horizontal flourish extending to the right.

R. Brooke Coleman
Executive Director
Advanced Ethanol Council (AEC)

*The founding members of the Advanced Ethanol Council (AEC) include:
Abengoa BioEnergy, BlueFire Renewable, Coskata, Enerkem, Fulcrum BioEnergy, Inbicon, Iogen, Mascoma,
Osage BioEnergy and Qteros*