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GRASSLEY RESPONDS TO ETHANOL SMEAR CAMPAIGN

Prepared Floor Statement of Senator Chuck Grassley of Iowa "Ethanol is not the cause of all that ails you"

Thursday, May 15, 2008

Mr. President,

For almost thirty years I've been leading an effort, with many of my colleagues, to promote policies to grow a domestic renewable fuels industry. We've promoted homegrown renewable fuels as a way to lessen our dependence on foreign oil and improve our air quality. For all these years, we've hardly heard anything negative about these policies.

Now, ethanol and alternative fuels are being made the scapegoat for a whole variety of problems. Never before have the virtuous 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.

Even Mort Kondracke, an intelligent veteran journalist has fallen prey to some of the same erroneous talking points that we've heard over and over the past couple weeks. Maybe he's just spent too much time inside the beltway and could use a little real-world explanation from a family farmer from the Midwest. Some of my colleagues here in the Senate have also gotten involved in this misinformation campaign. It seems there is a "group-think" mentality when it comes to scapegoating ethanol for everything from high gas prices, global food shortages, global warming and deforestation. But, as was recently reported, this anti-ethanol campaign is not a coincidence. It turns out that a \$300,000, six-month retainer of a beltway public relations firm is behind the smear campaign, hired by the Grocery Manufacturers Association. They've outlined their strategy of using environmental, hunger and food aid groups to demonstrate their contrived "crisis."

I think it's important for policy-makers and the American people to know who's behind this effort. According to reports, downtown D.C. lobbyists, the Glover Park Group and Dutko Worldwide, are leading the effort to undermine and denigrate the patriotic achievement of America's farmers to reduce our dependence on foreign oil while also providing safe and affordable food. The principle leaders behind the Glover Park Group's 21-page proposal read like a "who's who" of Democratic operatives.

The effort is led by former President Clinton's press secretary, Joe Lockhart. Another is 8-year veteran of the Clinton-Gore White House, Michael Feldman. Other leaders of this misinformation campaign include Carter Eskew, Mike Donilon, Joel Johnson, and Susan Brophy – all of which proudly display their ties to the Clinton/Gore White House and their credentials of helping to elect Democratic candidates. I think Democrats here in the Senate who claim to support our nation's drive toward energy independence should be alarmed by this group's tactics and smear campaign. I fought President Clinton during his 8 years in office at every turn when he tried to undermine our renewable fuels industry. Now I'm fighting his former staff and staff that worked for the Gore and Kerry presidential campaigns.

I imagine they're leading this effort because they can't stand the fact that President Bush has proved to be the best friend the renewable fuels industry has had. Because their old boss failed miserably at crafting policies to promote ethanol, they're doing everything they can to tear down the success that President George W. Bush has helped foster. There are a lot of intelligent people who have been misled by this campaign and are just simply wrong. They're using a lot of rhetoric. But, the facts don't back up their arguments. It's time to dispel the myths perpetuated by Mr. Kondracke, the Glover Park Group and others.

One myth that pops up again and again is that ethanol takes more energy to produce than it provides. A 2005 Argonne National Laboratory study concluded that it takes seven-tenths of one unit of fossil energy to make 1 unit of ethanol. That is a positive net energy balance. In comparison, it takes 1.23 units of fossil energy to make 1 unit of petroleum gasoline. Gasoline requires more than one Btu of energy to deliver one Btu to your car. That's a negative net energy balance. A 2004 USDA study concluded that ethanol yields 67 percent more energy than is used to grow and harvest the grain and process it into ethanol. These figures take into account the energy required to plant, grow and harvest the corn—as well as the energy required to manufacture and distribute the ethanol.

Of the 15 peer-reviewed studies conducted on this issue, 12 found that ethanol has a positive net energy balance. Only a single individual from Cornell University, who authored the other three studies, disagrees with this analysis. The Cornell studies have consistently used old data, some from 1979. In 1979, corn yields averaged 91 bushels per acre. It was at 137 bushels per acre in 2000, and averages about 150-160 today.

The flawed study also relies on 1979 figures for the energy used to manufacture ethanol. This energy consumption was cut in half between 1979 and 2000, and continues efficiency gains every year. The Cornell conclusions have been refuted by experts from entities as diverse as the USDA, the Department of Energy, Argonne National Laboratory, Michigan State University, and the Colorado School of Mines. The fact is, studies using old data overestimate energy use by not taking into account efficiency gains in agriculture, fertilizer production, and ethanol production. I don't understand how intelligent people can continue to argue that ethanol has a negative net energy balance.

The net energy balance of ethanol production continues to improve because ethanol production is becoming more efficient. A March 2008 study by the Argonne National Laboratory found significant gains just since 2001. Ethanol production since 2001 has reduced water use by 27 percent, reduced electricity use by 16 percent, and reduced total energy use by 22 percent.

Another myth being perpetuated by opponents of our renewable fuels efforts and Mr. Kondracke is that ethanol harms the environment and contributes more in greenhouse gasses than petroleum fuels. This claim is just hogwash. Science magazine and Time magazine made wildly erroneous claims about corn ethanol that are now being used by detractors. They claim that ethanol production is the driving force behind rainforest deforestation and grassland conversion to agriculture production. This is an oversimplification to say the least. How could intelligent people simply ignore the effects of a growing global population? How can one simply ignore the surging global demand for food from growing populations in China and India? Wouldn't urban development and sprawl also be a contributor to the increased demand for arable land?

Secretary of Agriculture Ed Schafer and Energy Secretary Sam Bodman stated in a letter to Time Magazine that their piece on ethanol, based on the Science magazine article, was "one-sided and scientifically uninformed." They further stated that the Science magazine article has been "thoroughly rebutted by leading scientists at the Department of Energy's Argonne National Laboratory." Dr. Wang of that Laboratory stated, "There has also been no indication that U.S. corn ethanol production has so far caused indirect land use changes in other countries." No claim can be made that U.S. ethanol production leads to the clearing of rainforests. In fact, since 2002, U.S. corn exports increased by 60 percent. Even with the growth in the ethanol industry, our corn exports have steadily increased, meeting the growing global demand. While some claim that corn ethanol increases greenhouse gas emissions because of land-use changes around the globe, they should think again.

According to the U.S. Department of Energy, today's corn ethanol produces about 20 percent fewer greenhouse gas emissions on a lifecycle basis. Ethanol blended fuels emit cleaner tailpipe emissions and unlike petroleum, ethanol doesn't harm the environment or groundwater. In recent weeks, a new argument has come forward about the effect of corn ethanol on domestic and global food prices. 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. ethanol industry is outrageous and misplaced.

Watching the news and listening to some of my colleagues, I've heard the domestic ethanol industry being blamed for price hikes and shortages of apples, broccoli, rice, wheat, lentils, peppers and even bananas. With regard to wheat, rice and lentils, the global demand for food from a growing middle class in China and India have the most impact. Weather trends including a drought in Australia and poor growing conditions in Southeast Asia and Eastern Europe have had a much greater impact on the supply of rice and wheat. Many of these countries also have government production policies that manipulate the production, supply and trading of these commodities. The fact is, the global demand and price for all commodities has increased. Some of this could be due to speculation. But, the biggest culprit behind the rising food costs is \$125 a barrel oil.

A recent Texas A&M study concluded that the biggest driving force behind the higher food costs is higher energy costs. Joseph Glauber, Chief Economist at the U.S. Department of Agriculture recently testified that rising prices for corn and soybeans have had little or no effect on the high prices for wheat, rice and other food commodities. He cited the worldwide economic growth, global weather problems, rising marketing costs and the weak U.S. dollar as having a greater role than biofuels. A U.N. official has recently referred to biofuels as "a crime against humanity." Mr. Ziegler, from Switzerland, might benefit from a review of European policies that ban or restrict the growth and import of genetically modified crops. As a result, African countries are reluctant to grow GMO's, even though their potential production gains are great, because European countries will restrict their import.

I might suggest Mr. Ziegler focus more of his efforts on opportunities lost due to Europe and GMO's rather than our biofuels policies. U.S. farmers responded to the demand and produced a record corn crop in 2007. Over 2.6 billion more bushels of corn were harvested in 2007 over 2006. The ethanol industry only increased its usage during that time by the equivalent of 600 million bushels. So, there was an additional 2.1 billion bushels of corn available in 2007 for feed, food and export. And, exports have been growing. USDA estimates that this year's corn exports will be a record 2.5 billion bushels, up 18 percent over last year.

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. Yet, some have suggested that we should suspend our policies that promote the use of renewable fuel to help drive down food prices. If all the evidence suggests that biofuels have little if any impact on the rising cost of food, what good can come of lifting our biofuels policies? I was pleased to be joined by 15 of my Senate colleagues in a letter to the Environmental Protection Agency expressing our opposition to this misguided idea. I'd ask unanimous consent that the letter be placed in the Record at the conclusion of my remarks.

An investment researcher with UBS recently said that lifting the biofuels mandate won't ease corn or food prices, because energy costs and commodity speculation are greater factors. Lifting the renewable fuels mandate won't drive down the cost of corn or the price of groceries. But, it will increase our demand for crude oil—dirty burning crude oil. Big Oil wins! A Merrill Lynch analyst recently estimated that oil and gas prices would be 15 percent higher without biofuels. Iowa State University estimates that ethanol use lowers gas prices by 30 to 40 cents a gallon. Another economist estimated that gas prices would be \$1.40 more a gallon if you removed 50 percent of the ethanol scheduled to be used this year.

It's clear: reducing the amount of ethanol in our nation's fuel mix will have little if any impact on food prices and will actually increase prices at the pump for all Americans. So, to the critics, let me say loud and clear: Ethanol is not the cause of all that ails you. While it's easy to blame, it's intellectually dishonest to make these claims. It's time for critics to take an independent look at the facts. They have a responsibility to brush aside this "herd mentality" among the pundits and talking heads who claim that everything about ethanol is bad.

Here's the truth: Ethanol is reducing our dependence on foreign oil. Ethanol has a significant net energy balance – the same cannot be said for gasoline. Ethanol is reducing our greenhouse gas emissions. Ethanol is not the culprit behind rising food and feed prices here at home or abroad. Ethanol is lowering the price of crude oil and lowering the price of gasoline. Ethanol is 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.