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For Immediate Release
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Grassley Expresses Concern Over Possible U.S.-Brazil Partnership on Ethanol

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, is expressing concern to the President that a possible U.S.-Brazil partnership on ethanol could cause the United States to subsidize the production of foreign ethanol and run counter to the President's stated goal of easing U.S. dependence on foreign energy sources.

Grassley wrote to the President to express his concerns. The text of Grassley's letter follows here.

March 1, 2007

The Honorable George W. Bush
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear President Bush:

In anticipation of your upcoming visit to Brazil this month, I wish to share with you my concerns regarding efforts to broker a U.S.-Brazil partnership on ethanol.

According to press reports, the Administration is considering concluding a partnership with Brazil that would encourage increased consumption, and production, of ethanol in Caribbean and Latin American countries. I appreciate that increased consumption of ethanol in such countries might eventually benefit the U.S. ethanol industry and U.S. farmers. I fail to understand, however, why the United States would consider spending U.S. taxpayer dollars to encourage new ethanol production in other countries, production that could directly compete with U.S.-produced ethanol.

Press reports indicate specifically that the United States and Brazil are discussing the possible construction of a pilot ethanol plant, or plants, in the Caribbean region. Any ethanol produced in such a plant or plants would be eligible to enter the United States duty-free under the Caribbean Basin Initiative (CBI). In this way, the proposed U.S.-Brazil partnership could possibly result in U.S. funds subsidizing the production of ethanol that would ultimately be destined for the U.S. market.

I am also concerned that any U.S.-backed development of ethanol facilities in CBI countries could indirectly result in increased ethanol imports from Brazil, the world's largest ethanol exporter. Under the CBI, ethanol from Brazil and other countries that is merely dehydrated in a CBI country can enter the United States duty-free up to the amount of 7 percent of the U.S. market. The 7 percent cap has never been filled. Through the development of ethanol industries in the Caribbean, Brazil is likely interested in seeing the concomitant development – not necessarily through U.S. funding – of increased ethanol dehydration capacity in the CBI countries.

In your State of the Union address, you noted the need for the United States to become more energy independent. I welcomed your announcement to reduce U.S. dependence on foreign petroleum by 20 percent in ten years as I know well the benefits to the environment, the U.S. rural economy, and U.S. national security of a growing domestic renewable energy industry. The virtues of the “Twenty in Ten” plan could be squandered if we take steps that lead to the replacement of our dependence on foreign oil with a dependence on foreign biofuels.

I urge you not to agree to any partnership that would either directly or indirectly undermine our efforts to make the United States more energy independent. I will be following this matter closely.

Sincerely,

Charles E. Grassley
United States Senator

cc: The Honorable Condoleezza Rice, Secretary of State
The Honorable Mike Johanns, Secretary of Agriculture
The Honorable Samuel Bodman, Secretary of Energy
The Honorable Henry Paulson, Secretary of the Treasury
The Honorable Rob Portman, Director, Office of Management and Budget