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U.S. House of Representatives Energy and Commerce Committee
Subcommittee on Energy and Air Quality

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Good morning, Chairman Boucher, Ranking Member Hastert, and distinguished members of the Committee, my name is Phillip Lampert and I serve as the Executive Director of the National Ethanol Vehicle Coalition. On behalf of the NEVC, I would like to thank you for the opportunity to appear before you this morning.

As I mentioned during my April 18th, 2007 testimony to the Committee, the NEVC is the nation's primary advocate of the use of 85% ethanol as a form of alternative transportation fuel. Our members include automakers; state and national corn grower associations; ethanol producers; equipment manufacturers and suppliers; ethanol marketers; the 37 states that comprise the Governors' Ethanol Coalition; farmer cooperatives; chemical and seed companies; petroleum marketers; and individuals.

Our written and verbal comments this morning will be focused on the June 1, 2007 Discussion Draft that the Committee has provided for comment, specifically Title I-Fuels, Title II-Alternative Fuels Infrastructure, Title III-Vehicles.

In regard to Title I-Fuels, the NEVC strongly supports an increase in the Renewable Fuel Standard. The ethanol industry is clearly proving that it can meet the levels of the RFS established in the 2005 Energy Policy Act and that an aggressive expansion is feasible. In terms of national security, energy independence, and domestic economic growth, and increased RFS is positive for the nation.

With respect to the volume levels, the relative amounts of each form of fuel, and the potential multiplier associated with each form of fuel, we encourage further discussions with each of the stakeholders. It is important to note that the NEVC is strongly supportive of policies that promote the future production of alternative fuels such as ethanol from cellulosic materials. That being said, the maintenance of a strong system of ethanol production based on corn as a feedstock remains critical to the strength of the entire industry.

Title II-Section 201 deals with the establishment of an alternative fuel "infrastructure development grant" program and a "retail technical and marketing assistance" effort.

The NEVC strongly supports the provision of federal financial incentives, both through the provision of grants and an increase in the federal income tax credit, to support the establishment of alternative fueling infrastructure. We believe that entrepreneurs in the fueling industry who wish to take advantage of such programs will do so and as restrictions are lifted which may be preventing branded stations from selling alternative fuels, the market penetration of E85 fueling sites will increase to meet the related demand presented by the FFVs being produced.

The proposed establishment of a "retail technical and marketing assistance" effort will be key to ensuring that new vendors are able to market and offer E85 at a price on a gasoline equivalent basis to regular unleaded, that equipment standards are being maintained, that promotional materials are available, and that a central clearinghouse is available to respond to questions from consumers. The addition of such a sub-program to the basic DOE grant effort is critical and we applaud the Committee for including this new subsection.

We also believe the Committee has been wise to outline the selection criteria that would be used to make such infrastructure grants. Basing the allocation of funds on the numbers of FFVs, opportunities to establish fueling corridors, displacement of petroleum, and commitment on the part of the applicant are all criteria that will assist with maximizing the wise use of scarce taxpayer resources.

The NEVC also appreciates the Committee language which requires that all such infrastructure grant recipients prepare a marketing plan, provide information to consumers, and report on sales and pricing of alternative fuels. As we have mentioned, it is easy to establish an E85 fueling station. However, it is much more difficult to establish a successful E85 fueling facility. These obligatory marketing and outreach provisions for all grant recipients will make this program exceedingly stronger.

In regard to the proposed language that "prohibits franchise agreement restrictions related to alternative fuel infrastructure" , over the past several weeks, testimony has been provided by representatives of the petroleum industry to this Subcommittee stating that there are no restrictions on the sale of alternative fuels by so called "branded" operations. While not wishing to debate that matter, this language will serve to clarify the previous statements made by those representatives and address this issue. An owner/operator of a fueling station should have the right to sell any form of alternative transportation fuel. This new section will simply clarify such right.

Regarding the section of the draft language that establishes "alternative fuel dispenser requirements," it has been the position of the National Ethanol Vehicle Coalition that there is little benefit in the promulgation of federal law which requires the installation of alternative fueling infrastructure. As we have often noted, the key to successfully selling E85 and any other form of alternative fuel is proper pricing, marketing, and the provision of educational resources. While the Committee's goals in regard to the mandatory establishment of E85 infrastructure based on market penetration of FFVs are admirable, we continue to believe that the marketplace is the mechanism most appropriate to ensure such E85 fueling sites are installed.

It is our observation that mandating E85 fueling facilities may result in placement of the sites in poor locations, setting high prices for E85, and lack of customer outreach and marketing. While unlikely, it would be possible that opponents of alternative fuels could use high pricing of fuel at sites they were forced to establish to confirm a lack of demand and establish an "I told you so" prophecy of failure of the site. The Committee draft includes a general grant program that, complementary to the existing tax credit program, could be used to offset the cost of new E85 fueling equipment. In the future, vendors choosing not to sell E85 will be facing the loss of a significant new revenue stream and potential profit center. As in the sale of other commodities, vendors who do not rapidly respond to market demands, are those that rapidly exit the marketplace. We believe that this will also be true in the sale of alternative fuel. The NEVC supports the market in this endeavor and continues to resist embracing such mandatory programs. It may be necessary to re-evaluate this position in the future, but presently, we oppose such mandates.

In regard to the production requirements of Flexible Fuel Vehicles as outlined in Section 302 of the draft, the Chief Executive Officers of General Motors, DaimlerChrylser, and Ford have each stated their company's commitment to the production of 50% of their entire fleet as FFVs by model year 2012. Selected imports are also producing FFVs and it is our understanding that additional models may be forthcoming this fall.

Unlike most motors vehicles manufactured today that are only warranted to operate on up to 10% ethanol, a flexible fuel vehicle can operate on any level of ethanol from 0% up to 85%. As the Congress begins to consider Renewable Fuel Standards exceeding 35 billion gallons, it is important to note that with today's vehicles, the maximum amount of ethanol that can legally be consumed approaches 14 billion gallons nationally in a 10% blend. While the potential use of E12 and E15 use in existing vehicles is being debated, we know that a flexible fuel vehicle can operate on E15, E30, or E85 absent adjustments or modifications.

The impetus for today's production of alternative fuel vehicle was provided by the 2nd Session of the 100th Congress via passage of the Alternative Motor Fuels Act (AMFA) of 1988, extended by the Automotive Fuel Economy Manufacturing Incentive for Alternative Fueled Vehicles Rule of 2004. These laws encourage the production of motor vehicles capable of operating on any form of alternative fuel. This incentive has been tremendously valuable in that prior to 1988 there were zero alternative fuel vehicles on the nation's highways. As a result of AMFA, today, there are more than 6 million E85 vehicles and a number of electric, CNG, and LPG cars and trucks across the nation.

The provision of new incentives to further grow the production of flexible fuel vehicles, especially by foreign manufactures, may be an appropriate mechanism to ensure the wide scale and massive integration of such vehicles into our nation's fleet of passenger autos and light duty trucks.

In summary, to advance the use of E85 as a form of alternative transportation fuel, we believe the following are needed:

- Federal financial incentives to assist with offsetting the cost of new or converted infrastructure. These may be provided in the form of grants as recommended by the discussion draft or as an increase in the existing federal income tax credit.
- A much stronger emphasis being placed on the provision of technical support, marketing support, and promotional assistance to new and existing E85 vendors.
- The massive introduction of flexible fuel vehicles into the nation's auto and light duty truck sectors, and;
- Finally, while outside the jurisdiction of this Committee, an increase in the existing incentive that is available for ethanol to reflect the lower BTU value of the product.

Mr. Chairman and Members of the Committee, we appreciate the work that you are doing on behalf of the American people to address our nation's growing dependence on imported petroleum. The National Ethanol Vehicle Coalition thanks you for the opportunity to provide these comments and we are available to respond to questions at your convenience.

The National Ethanol Vehicle Coalition is a non-profit organization located in Jefferson City, MO.