

BACKGROUND

October 1, 1992

Issues Office



PRESIDENT BUSH'S ACTIONS TO ENCOURAGE THE USE OF ETHANOL IN MEETING THE GOALS OF THE CLEAN AIR ACT

- o The President's Announcement: The President has announced that his Administration will effectively grant a one-pound waiver of Reid Vapor Pressure (RVP) requirements for gasoline blended with ethanol in northern U.S. cities.
 - This will make ethanol more competitive, reduce smog-causing emissions and provide cleaner air in the most smog affected areas in the country.
 - The waiver will be applied in a way that is fully consistent with Clean Air Act requirements, and fully protective of the environment.
 - The waiver will apply to all reformulated gasoline blended with ethanol in up to 30 percent of the total reformulated gasoline market in northern cities. This approach does not set a ceiling on ethanol blends, and any State may create additional offsets to allow ethanol to compete for a larger share of the market.
- o Helping America's Farmers: The President's action today will ensure that the demand for corn and other crops used to produce ethanol is substantially increased.
 - This action will help America's farmers while cleaning the nation's air. Expanded use of domestically-produced renewable fuels will also promote America's energy security and reduce our dependence on foreign oil.
 - Illinois farmers, for example, who account for about 60 percent of the production for the one billion-gallon-a-year ethanol market, would enjoy increased incomes as expanded production of ethanol could add about 20 cents to the present \$2 per bushel price of corn.
- o Other Actions to Promote Use of Ethanol: The President also announced today that his Administration would:
 - Support legislation to make the benefits of the blender tax credit non-taxable for ethanol blends and other ethers derived from ethanol. This will improve ethanol's long-term competitiveness.
 - Ensure implementation of the oxygenated fuels program which will mean cleaner air and reduced carbon monoxide emissions in 39 cities this winter.

-- Limit the ability of States to discourage ethanol use by capping the level of oxygenates.

o The President's Longstanding Support for Ethanol: For over a decade, President Bush has supported the use of ethanol to fight air pollution:

-- In addition to signing the 1990 Clean Air Act, which provides new opportunities for ethanol, President Bush has also signed legislation extending tax incentives for domestically-produced ethanol through the year 2000, including the ethanol gas tax waiver and the ethanol production tax credit.

-- The President has requested funding in his budget for fiscal year 1993 for the purchase of 5,000 alternative fuel vehicles for the Federal fleet, building on the recent purchase of 3,000 such vehicles. This fleet includes E85 vehicles that run on 85 percent pure ethanol.

o Once again, Clinton cannot make up his mind: After flip-flopping on ethanol (as a candidate, Clinton pledged his support for ethanol, but in 1985 he removed Arkansas' major tax incentive for the use of ethanol), Clinton's Midwest political director told reporters on September 16th, that Clinton has been unable to decide whether ethanol deserves a waiver. "Governor Clinton will not take a position in the controversy..." (UPI, 9/16/92)

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