

The Case For Ethanol

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The United States has developed an unquenchable thirst for fossil fuels, and it does not appear our consumption will decline any time soon, despite recent supply disruptions that led to more pain at the pump for motorists.

Our addiction to fossil fuels grows more dangerous as we increasingly rely upon foreign sources to meet our demand for both crude oil and gasoline.

There is no panacea, no silver bullet solution that will fix our system overnight. But there is one important step already being taken: a growing supply of homegrown, clean-burning, high-performance, renewable fuel that can operate in every single automobile on the road today-- ethanol.

While no new oil refineries have been built in the U.S. in nearly three decades, new ethanol-production facilities are coming online at a rate of almost two per month. Today, 92 ethanol plants are operating across the country with a total production capacity of 4 billion gallons of fuel annually. Two dozen more plants are now under construction to provide an additional billion gallons of ethanol.

The economic impact of the homegrown ethanol industry is tremendous, both from a trade standpoint and that of America's Main Streets.

An average-sized ethanol plant costs approximately \$65 million to build and will employ nearly 40 people. These positions are good-paying, high-skill jobs--chemists, engineers, managers, marketers. The plant's \$56 million in annual operating costs circulates throughout the community many times, benefiting everyone from the farmers who provide the corn to make the fuel ethanol to the local businesses that supply goods and services for the production facility. An ethanol plant will increase tax revenue for local and state governments by at least \$1.2 million annually.

Why is this scenario more favorable than relying upon foreign supplies of fossil fuels? Workers in Nigeria have jobs because we import their oil. Venezuelan gasoline suppliers do not use the goods and services of U.S. businesses. No OPEC money benefits roads, schools or parks in America. Regardless of whether you view these nations as "good" or "bad," the bottom line is that they are reaping the economic benefits of our energy dependence.

From the perspective of trade, our increasing imports of oil and gas are a costly habit. America's trade deficit in crude oil has risen from \$27 billion in 1987 to \$100 billion in 2002. This deficit is the primary culprit in our total trade deficit. Given that each billion dollars in trade deficit costs the U.S. 19,100 jobs, this is a counterintuitive drain on the U.S. economy that must be plugged.

Growing America's ethanol industry is part of the solution to this problem. For every barrel of ethanol that is produced, 1.2 barrels of petroleum are displaced at the refinery. Ethanol won't replace 100% of the fuel we use, but it is a critically important component in America's energy-supply portfolio. As a nation, we should do everything possible to ensure that this renewable-fuel source grows to its greatest potential.

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