

**1Sky• Friends of the Earth• Greenpeace USA• National Wildlife Federation•
Natural Resources Defense Council• Sierra Club**

December 10, 2010

Dear Representative:

On behalf of our millions of members, we write to oppose the Reid-McConnell Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 because the energy provisions of the bill would, as a whole, take us backwards not forward on moving to a clean energy economy. While the bill contains critically needed clean energy provisions such as an extension of the Section 1603 Convertible Renewable Tax Incentive, it also includes an extension of tax credits for liquid coal and corn ethanol, which cause substantial environmental harm, and excludes the Section 48c Advanced Energy Manufacturing tax credits which help ensure we maximize the domestic jobs and economic benefits of clean energy investments.

Coal-to-Liquids

The Reid-McConnell tax bill extends the liquid coal incentive provided by Sections 6426 and 6427, which provide a 50 cent tax credit for each gallon of liquid coal sold or used in a fuel mixture. Liquid coal is a bad choice for the nation's energy supply. On a lifecycle basis, liquid coal emits nearly twice the global warming pollution as conventional fuel. Even if some of the production emissions are captured and stored, liquid coal may still be no cleaner than conventional fuel. Using the vast coal resource base in this manner would make it much more difficult to avoid catastrophic climate change. In addition, liquid coal poses numerous ecological risks linked to coal mining. These include habitat loss, ground water contamination and mountaintop removal. Extending the liquid coal credits would also be costly. The annual subsidy for just one commercial facility (approximately 50,000 barrels of fuel per day) would exceed \$383 million.

Corn Ethanol Tax Credit

The Reid-McConnell bill extends the Section 40 corn ethanol tax credit. An extension of this credit (officially called the Volumetric Ethanol Excise Tax Credit or "VEETC") would cost more than \$31 billion over five years—\$6 billion next year alone—while generating little domestic corn ethanol production beyond what is already mandated by the Renewable Fuels Standard and creating few new jobs. Last year, corn ethanol received more than 70% of all federal tax incentives for all forms of renewable energy. Not only is the corn ethanol tax credit wasteful, but continuing to use scarce taxpayer dollars to support a mature, mainstream and polluting technology like corn ethanol will impede our ability to transition to the new, better-performing advanced biofuels we need.

The Reid-McConnell bill also extends critically needed clean energy incentives such as the Section 1603 Convertible Renewable Tax Incentive, the Section 45L credit for efficient new homes, and the 30C alternative vehicle refueling property credit, and pretax benefits for public transit commuters. These incentives will create jobs and improve the environment. Their environmental benefits, however, are far outweighed by the substantial environmental harm that would result from the extension of the liquid coal and corn ethanol tax credits. The Congress should not, as one of its final acts, extend these environmentally harmful tax credits.