

Implement Feedstock Tax Credits

Provide a separate tax credit with a basis of \$1 per gallon for alcohol fuel produced from cellulose, hemicellulose, alternative alcohol crops (crops other than corn), or combinations of alternative crops with higher yields than corn per acre per year. This credit should also apply to alcohol produced from marine algae.

This credit is needed to prod plant designers, entrepreneurs, and farmers to diversify feedstocks, especially on the small scale. Diverse feedstocks

have many benefits to agriculture and help ensure the nation's fuel supply cannot be devastated if a monoculture crop is damaged by weather or disease. Diversifying feedstocks is also necessary to prevent market manipulation by MegaOilron. The credit should go down in proportion to the amount of renewable fuel, dropping as the percentage of renewable fuels in the national supply goes up, including adjustment for inflation. This credit should replace the current system of saleable "credits" for cellulose/hemicellulosic feedstocks.

"Power always thinks it has a great soul and vast views beyond the comprehension of the weak; and that it is doing God's service when it is violating all his laws."

—JOHN QUINCY ADAMS

FROM OXYGENATE STANDARD TO RENEWABLE FUEL STANDARD: A BAD IDEA

The oxygenate standard included in the Clean Air Act was abolished in favor of the Renewable Fuel Standard. This was a bad idea, since the oxygenate standard required oil companies to add chemicals that contained oxygen—such as alcohol—to their hydrocarbon fuel, which dramatically lowered carbon monoxide, especially in densely populated cities. No MegaOilron-loving president could have administratively dismissed the oxygenate standard, since its requirements were related to health issues under the Clean Air Act—which is not true with the RFS.

For many years, MegaOilron dealt with the issue by suing to prevent ethanol from being mandated to provide the oxygen. Instead, they insisted that they could use MTBE, an oil product, to reduce carbon monoxide emissions. But unlike alcohol, MTBE turned out to be carcinogenic. Although Tom DeLay (R-Texas) tried to get a liability waiver to exempt MegaOilron for liability for the groundwater pollution caused by MTBE, Democrats held their ground and refused to include it in the 2005 Energy Bill. Knowing that the days of MTBE were numbered, MegaOilron didn't rely on getting the liability waiver, but instead forced Democrats to abolish the oxygenate standard if they wanted to pass the RFS.

The oil companies' "compromise" to permit passage of the RFS was actually a masterful piece of politics. In theory, the RFS was supposed to spur the production of more alcohol. In reality, the levels of alcohol mandated by the RFS were less than the amount already being produced by the time the bill passed! So the oil companies pulled a fast one yet again, engineering the RFS to mean almost nothing to them, while abolishing the hated oxygenate standard.

Implement Renewable Process Energy Credits

There should be a tax credit of 50% on equipment used to generate a renewable source of energy to run an alcohol plant. This would stimulate the input of private capital for production of process energy from solar, biogas (methane), or biomass, instead of coal or natural gas. To obtain this tax credit, 90% of the plant's process energy would have to come from renewable sources.

Ideally, this credit should apply to all businesses, not just alcohol fuel plants, and should continue until 75% of transportation and electrical generation energy is renewable. This would jump-start a huge new industrial manufacturing sector in the U.S. that would benefit every business.

VEHICLE INCENTIVES: THE DRIVER'S CARROT

Implement Tax Credits for Vehicle Conversions

Provide up to a \$1500 tax credit on conversion of an existing automobile or light truck to alcohol or flex fuel. Currently, no conversion is permitted unless it is certified by the EPA. That rule should be abolished as discriminatory, and conversions should be permitted as long as the vehicle can meet existing smog emission regulations. Smog testing of alcohol vehicles should be no more frequent than what's required for gasoline.

Provide a flex-fuel conversion credit of \$2500 for trucks with a gross vehicle weight over 8000 pounds. For vehicles over 26,000 pounds, the credit should be \$5,000.

To stimulate innovation and a new manufacturing industry, double the above credits when replacing a vehicle's engine with an E-100 alcohol-only engine that gets equal or better mileage than

the stock gasoline engine of the same displacement. This would reward those early pioneers who converted their vehicles to dedicated renewable fuel and provide incentives for auto companies to make the advanced engines.

Implement Tax Credits for Buyers of Dedicated Alcohol Cars

Provide a \$2000 tax credit for buyers of dedicated alcohol cars or light trucks that can get at least 10% better mileage on alcohol than current gasoline engines of the same displacement. This allows the auto companies to charge more for newly designed high-compression engines and recoup their investment, while giving consumers a break on the higher costs. Exempt dedicated alcohol vehicles from smog testing after passing three consecutive tests. These credits should stay in place until 75% of transportation fuel is renewable.

Implement Incentive for Adding Cold-Start Devices to FFVs

Provide a \$250 payment to drivers of FFVs for adding cold-start devices. This would help eliminate the E-85 issue discussed below in the Redefine Alcohol Fuel section.

REGULATORY INITIATIVES: THE STICK

Sign the Kyoto Accords

First of all, we need to elect politicians who will agree to sign the Kyoto Accords, to commit the U.S. to do its part along with the rest of the world in reducing greenhouse gases. This should be every citizen's nonnegotiable demand of our leaders. The U.S. should not be a rogue nation when it comes to climate change. As this book has shown, alcohol fuel can play a huge role in reversing the greenhouse effect.

Increase the Renewable Fuel Standard

To make the Renewable Fuel Standard (RFS) into a mandate that would make a difference, it needs to be increased with the dual goals of eliminating dependence on fossil fuels and urgently responding to the greenhouse effect. The government should bolster the RFS to reach 75% by 2025. It should be front-loaded to bring the U.S. into compliance with the Kyoto treaty.

This is totally reachable with the incentives in this chapter. Make "75% by 2025" the slogan every politician has to support in order to get elected. Pass language that makes it impossible to convert the Renewable Fuel Standard to some sort of Alternative Fuel Standard that rewards fossil



Fig. 28-3