

Using More Brazilian Ethanol Would **RAISE** Gasoline Prices for D.C. Drivers— With or *Without* the Tariff

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The Brazilian sugarcane industry wants you to think that using more imported ethanol from South American plantations would lower U.S. gasoline prices. In reality, *the exact opposite is true. At today's prices, gasoline containing 10% imported Brazilian ethanol (E10) would be 11 cents per gallon more expensive than E10 made with homegrown American ethanol.* In fact, gas containing imported Brazilian ethanol would be more expensive than conventional unleaded gasoline that *didn't contain any ethanol at all!* As the economy continues its slow recovery, the last thing drivers need is higher gasoline prices.



Here's the good news: U.S. produced ethanol is holding gasoline prices down. A gallon of American ethanol is currently about 80 cents per gallon cheaper than gasoline, meaning E10 made from domestic ethanol is about 8 cents per gallon less than a gallon of gasoline without ethanol.

Brazilian sugarcane and ethanol producers are trying to argue that if the tariff on imported ethanol was removed, Brazilian ethanol could compete with American ethanol. That isn't true either. ***Even if the tariff weren't in place, E10 made from imported Brazilian ethanol would still be 6 cents per gallon more expensive than E10 made from American ethanol.***

So, why does the tariff exist at all? The explanation is simple: Oil companies that blend ethanol with gasoline get a 45 cent tax credit for every gallon of ethanol they use. That tax credit is paid to gasoline blenders *regardless of whether the ethanol they're using was produced in Brazil or New York or anywhere else.* The tariff is in place simply to offset the tax benefit that gasoline blenders get for using ethanol. If the tariff didn't exist, Brazilian sugar and ethanol producers would effectively have unfettered access to American taxpayer dollars!

**Price Comparison: E10 Made With U.S. Ethanol vs. E10 Made With Imported Brazilian Ethanol
(Including Impact of Tariff)**

	Ethanol from United States	Ethanol from Sao Paulo, Brazil
Cost of Ethanol (Price paid to Producer)	\$1.52	\$1.95
Cost of Ethanol Transportation to Northern VA Gasoline Terminal	\$0.09	\$0.20
Tariffs on Imported Ethanol (Ad Valorem & Secondary Tariff)	\$0.00	\$0.59
Tax Credit Paid to Gasoline Blenders Who Use Ethanol (Regardless of Ethanol Origin)	\$(0.45)	\$(0.45)
Wholesale Ethanol Net Price	\$1.16	\$2.29
Wholesale Gasoline Price	\$1.95	\$1.95
E10 Wholesale Price (90% Gasoline/10% Ethanol)	\$1.87	\$1.98
Gas Marketing, Taxes, Profit, Other	\$0.90	\$0.90
Total E10 Retail Price	\$2.77	\$2.88

**Price Comparison: E10 Made With U.S. Ethanol vs. E10 Made With Imported Brazilian Ethanol
(Without Tariff)**

	Ethanol from United States	Ethanol from Sao Paulo, Brazil
Cost of Ethanol (Price paid to Producer)	\$1.52	\$1.95
Cost of Ethanol Transportation to Northern VA Gasoline Terminal	\$0.09	\$0.20
<i>No Tariffs Assume on Imported Ethanol</i>	\$0.00	\$0.00
Tax Credit Paid to Gasoline Blenders Who Use Ethanol (Regardless of Ethanol Origin)	\$(0.45)	\$(0.45)
Wholesale Ethanol Net Price	\$1.16	\$1.70
Wholesale Gasoline Price	\$1.95	\$1.95
E10 Wholesale Price (90% Gasoline/10% Ethanol)	\$1.87	\$1.93
Gas Marketing, Taxes, Profit, Other	\$0.90	\$0.90
Total E10 Retail Price	\$2.77	\$2.83

Sources and Assumptions:

1. U.S. ethanol prices come from USDA and represent the April 2010 average.
2. Transportation costs based on industry sources.
3. Brazil ethanol prices come from Brazil's Center for Advanced Studies on Applied Economics (CEPEA) and represent the April 2010 average.
4. Gasoline prices are from Oil Price Information Service (OPIS) and represent approximate price for week of May 17.
5. Gasoline marketing, taxes, profit, other is based on Dept. of Energy information.