

## **Ethanol in Wisconsin: Policy makers and decision makers in Wisconsin need unbiased information about ethanol**

Powerful special interest groups promote the benefits of ethanol production. Primary among them are Archer Daniels Midland (ADM) and the national and state Corn Growers Associations. ADM dominates the market, producing over 40% of domestic ethanol. The industry, through lobbies such as the Renewal Fuels Association (RFA), ADM and the Corn Growers, exerts tremendous political influence, spends millions of dollars lobbying at state and federal levels and relentlessly pushes for expanded ethanol subsidies. The popularly held view, which is driven by a sophisticated and well-funded pro-ethanol public relations effort, is that ethanol is environmentally friendly and ethanol plants provide jobs, tax revenue and higher corn prices for farmers. But is this the real ethanol picture?

### **The BIG Question Is: Who wins and who loses with ethanol?**

The primary beneficiaries of an ethanol plant are the corporate investors who collect public subsidies. Although it is commonly stated that ethanol plants increase local corn prices, the best available data<sup>1</sup> shows this is not true. Increasingly, experts are recognizing that ethanol plants pose serious local public health and safety risks as well as environmental liabilities. The issues are complex. Local decision makers are often overwhelmed and almost always have difficulty obtaining a balanced picture of the pros and cons of ethanol.

### **Air**

The ethanol industry's claims of ethanol benefits do not withstand scientific scrutiny. The best scientific evidence shows that ethanol use does not result in cleaner air. Tailpipe emissions from vehicles using ethanol-added gasoline actually contribute to smog. Studies show that as the ethanol is added to gasoline, vehicle miles per gallon go down.

The Minnesota Department of Health began investigating air emissions from the Gopher State Ethanol plant in St. Paul because of so many health-related complaints from its neighbors. The Environmental Protection Agency (EPA) also did studies. Many of the pollutants found in the new studies had not been previously tested for and were not formerly associated with ethanol production. The findings of these studies need to be used in the permitting and monitoring process for all ethanol plants.

Neither the Wisconsin DNR nor the EPA have adequate resources to conduct meaningful air and water quality monitoring tests that will protect the health, welfare, and natural resources of Wisconsin's people and communities. With budget shortfalls at the federal and state levels, it is naïve to assume that additional staff and resources will be made available for this important work.

In April 2002, the EPA stated that "most, if not all" ethanol plants were releasing "many times more" air emissions than they were permitted to release. Of particular concern are high levels of particulate matter (PM) and volatile organic compounds (VOCs), especially several known carcinogens contained in the VOCs. Most plants remain substantially out of compliance, exposing the surrounding communities to elevated health risk. Because the EPA has been slow to enforce its own regulations and protect the public safety, the Sierra Club has recently brought a suit against two plants, which it describes as the "tip of the iceberg".

## **Water**

Ethanol production uses huge volumes of water, potentially threatening ground and surface water levels and municipal water sources. Most of this water is lost as steam during distillation or exported as ethanol and is not returned to the local aquifer. At ethanol plants in Minnesota and Iowa, there have been numerous instances of spills leading to stream pollution.

## **Energy**

Ethanol doesn't make a meaningful contribution to energy security and may actually be counter-productive because it diverts resources from effective programs<sup>1</sup>. It does not improve the balance of trade, and costs US consumers about \$2 billion a year more than the equivalent volume of imported oil.

Growing and transporting corn needed for ethanol production demands large inputs of fossil fuels in the form of fertilizers, diesel and gasoline. It also involves transporting and storing numerous hazardous materials such as sulfuric acid.

Most of the plants being proposed in Wisconsin are 40-million-gallon/year plants, such as the one currently operating in Monroe. These plants pump about 500,000 gallons of water per day from the local aquifer and heat it to boiling using natural gas. This amount of natural gas would heat tens of thousands of Wisconsin homes. A number of leading scientists suggest that when all inputs are accounted for, corn ethanol yields a net energy loss.

## **Farmers and Farm Communities**

Profitable ethanol production is predicated on cheap corn and public subsidies. Ethanol plants are located on rail lines so cheap corn from outside the local area can be used in the plants if the price is right. A 40-million-gallon/year ethanol plant requires 14.3 million bushels of corn annually. Corn production to supply ethanol plants requires large-scale industrial agriculture that does not support family farms or farm communities. Furthermore, this type of production is not environmentally sustainable. Wisconsin needs diversification in agriculture, not increased monoculture corn for ethanol. A byproduct of ethanol production is distiller's grain, sold as animal feed, which depresses the market for more environmentally friendly livestock feed crops such as soybeans and alfalfa.

## **Ethanol Subsidies**

The federal subsidy for ethanol production is now \$0.54 per gallon. Without this federal subsidy the ethanol industry would not exist because it could not profitably meet its production costs. Wisconsin is now offering an additional \$0.20 per gallon as a state subsidy. It's important to understand that the subsidies are not limited to the \$0.74 per gallon subsidy on ethanol production itself. Large corporate farms are the main suppliers of corn to ethanol plants. These producers are paid millions of dollars in federal corn subsidies. The taxpayer first is required to subsidize farmers to grow a surplus product and then is required to pay additional state and federal taxes to subsidize turning that surplus product into ethanol. Even the conservative Heritage Foundation in its October 2002 report<sup>2</sup> calls the subsidies and protections that Congress grants the ethanol industry "corporate welfare."<sup>2</sup>

To add insult to injury, ADM can then buy out local groups as most recently happened in Marshall, MN. According to an article in the Minneapolis *Star Tribune*:

Some Minnesota lawmakers are frustrated that the state provided \$33 million in ethanol-producer subsidies to a farmer-owned operation - only to see it become the biggest acquisition for Illinois-based ADM. And a federal judge has yet to review an antitrust challenge before he signs a consent decree approving the sale. ADM said Friday, January 24, it is confident the deal will be approved.

In mid-January, Minnesota Governor Pawlenty boldly proposed a cut in the state ethanol subsidy<sup>3</sup>. Although the political will may not yet be strong enough to achieve this cut, a healthy debate in Minnesota has brought many of the issues presented in this paper into the public forum. Minneapolis *Star-Tribune* columnist Steve Calvin sums it up in his op/ed which appeared in the January 24<sup>th</sup> issue of the newspaper, "Ethanol made from large-scale corn cropping is about as close to being a renewable resource as World Wrestling Federation wrestling is to being an Olympic event."

In addition to huge federal/state subsidies on ethanol production itself, there are many additional hidden public costs such as the sacrifice of good farmland for the facility sites, considerable public infrastructure and the associated long-term maintenance costs, the consumption of vast amounts of water and natural gas and the frequent use of a TIF district. As witnessed by many in Wisconsin over the past 18 months, the greatest cost might be the scarring of stressed rural communities as the pro/anti-ethanol argument plays out in a community. Repeatedly across our state, this argument is falsely and deliberately framed as a pro/anti-agriculture issue. This does much to feed divisiveness and nothing to encourage the necessary rational informed debate.

### **Discover and Publish the Facts**

Ethanol presents citizens and decision makers with complex and overlapping environmental, agricultural, social, and economic questions. It is not clear that the benefits come close to outweighing the costs. State and federal ethanol subsidies and institutional policies and biases must be examined. The permitting process must be updated to reflect the new air quality studies from Minnesota and the EPA as well as the expanding body of knowledge on groundwater draw down and its effects on water quality.

Before municipalities and communities can be expected to make decisions about allowing ethanol plant operations to proceed, the true costs and benefits of ethanol must be investigated thoroughly and made public. Before accepting promises from proponents and providing millions of dollars in subsidies, state and federal government should invest in unbiased research to determine the facts about ethanol production and use.

### **More Information**

There have been a number of attempts to locate ethanol plants in Wisconsin communities. To date, only two have been successful. These proposed plants have led many local citizens to become informed on various aspects of ethanol. There are numerous websites, newspaper articles, scientific articles, and citizen groups to help inform public policy in the ethanol arena. Attached is a list of resource people, organizations, citizen groups, and websites to help inform the debate.

<sup>1</sup> Ethanol Programs – "A Program Evaluation Report", Minnesota Office of the Legislative Auditor, Report #97-04.

<sup>2</sup>Heritage Foundation Backgrounder: Ethanol Producers get a handout from Consumers, October 16, 2002. Available on line at:  
<http://www.heritage.org/Research/EnergyandEnvironment/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=27029>

<sup>3</sup>*Six St. Paul legislators seek to end payments to Gopher State Ethanol.* Conrad deFiebre. Minneapolis-St. Paul Star Tribune. Jan. 24, 2003.