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Senate votes to extend ethanol subsidy for 2011

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By [Tom Doggett](#) and [Charles Abbott](#)

WASHINGTON (Reuters) - The Senate on Wednesday voted in favor of a one-year extension of the ethanol tax credit and the ethanol import tariff at existing rates, despite complaints the subsidies were wasteful.

The bill will be welcomed by the struggling ethanol industry and by American farmers who supply the corn to produce the fuel that is blended into automotive gasoline.

The extension was part of a larger bill extending the Bush-era expiring personal tax cuts. The bill sailed through the Senate in a 81 to 19 vote and now goes to the House of Representatives where Democrats are still angry with President Barack Obama for making a deal with Republicans on the tax cuts.

Most House Republicans were expected to back the bill while Democrats in the chamber are becoming more resigned to passage of the \$858 billion package, which is expected to boost economic growth next year but add to the budget deficit.

The 45-cent-a-gallon tax credit and the 54-cent tariff were to expire on December 31. A one-year extension means Congress will face the contentious biofuels question again next year.

Senator Dianne Feinstein was rebuffed in a last-ditch attempt to cut the tax credit and the tariff to 36 cents each. Senate leaders declined to call a vote on her amendment.

The ethanol industry welcomed the extra life for the incentives.

"Extending these key incentives for American ethanol production and use will help save American jobs and provide the market stability allowing the industry to continue to grow," said Bob Dinneen, president of the Renewable Fuels Association.

The Senate bill also extends for one year the 10-cent a gallon small-producer credit and revives through 2011 the \$1 a gallon biodiesel tax credit that expired at the end of 2009.

Shawn McCambridge, analyst at Prudential Bache Commodities in Chicago, said the one-year extension gave some limited support to corn and soybean futures contract prices.

"Most people expected that it would be passed in its current form and we've pretty well traded that since it was first discussed," he said.

The ethanol incentives will cost \$7 billion and Feinstein said her amendment would have saved \$2 billion.

She argued there was no need for ethanol subsidies, because a 2007 law guarantees renewable fuels a share of the motor fuel market, rising to 36 billion gallons (163.7 billion liters) in 2022.

Foodmakers, livestock producers and environmentalists wanted the ethanol subsidies to expire. They say the tax credit drives up the cost of livestock feed and results in more runoff of fertilizer and pesticides from farmland.

There are more than 200 ethanol plants in two dozen states but production is centered in the U.S. Midwest. Ethanol producers say the average plant employs four dozen people and laud their industry as a valuable source of jobs in rural America and a key component of the agribusiness economy. Nearly 40 percent of U.S. corn is used to make ethanol.

The tax bill also extended incentives for the renewable energy sector. A Treasury Department program was extended through 2011 that provides a rebate of up to 30 percent of the cost of a solar, wind or geothermal energy project.

"An extension will help the solar industry remain one of the fastest growing industries in America and create thousands of new careers," said Solar Energy Industries Association President Rhone Resch.

(Additional reporting by [Michael Hirtzer](#) in Chicago; Editing by [Russell Blinch](#) and Marguerita Choy)



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