



**NEXSUN ENERGY**

TESTIMONY BEFORE THE COMMISSION ON SECURITY  
AND COOPERATION IN EUROPE

Hearing Date: May 6, 2008

Subject: Energy Security And The Environment

Witness: Justin M. Lee, CEO of Nexsun Energy

Time: 3:00 p.m.

Room: B-318 Rayburn House Office Building

## **Commission Testimony**

Thank you Chairman Hastings, Co-Chairman Cardin and members of the Commission, for holding this important hearing and for inviting Nexsun Energy to provide testimony on energy security and the environment.

Today, I will discuss how the production and use of ethanol strengthens the energy security of this nation and how it benefits the environment.

In the past few decades, our economy greatly expanded with the benefit of cheap and abundant oil. However, during the past five (5) years, things have changed dramatically. Today, we have declining oil reserves, unprecedented consumption of fossil fuels, historically high gasoline prices and dramatic evidence of adverse climate change.

This situation weakens our national security and threatens our daily lives. Unless we find prompt solutions, we and our allies will be heading for an irreversible economic and environmental disaster.

I believe that alternative energy, such as biofuels, wind, solar and hydrogen power is the most feasible solution to these serious problems. The use of alternative energy is no longer an option. It is a necessity for our survival. We cannot rely on conventional sources of energy anymore.

Late last year, in an effort to resolve such concerns, Congress passed the Energy Independence and Security Act which sets a renewable fuel standard and mandates that over 15 billion gallons of ethanol be blended by the year 2012 and 36 billion gallons by the year 2022. As this standard is met, petroleum imports will be replaced with American made "home grown" fuel in significant amounts. Accordingly, our dependence on foreign oil will be reduced and our national security strengthened.

Thanks to producers, ethanol production has dramatically increased in the past few years, resulting in approximately 7 billion gallons of production in 2007. As of April 4, the U.S. consumed almost 2 billion gallons of ethanol, the equivalent of nearly 46 million barrels of oil. Ethanol also fills close to 6% of American gasoline demand, roughly the equivalent of all oil currently imported from Nigeria, the U.S.' fifth largest foreign supplier. Without ethanol in our gasoline supply, gasoline prices could be more than 25% higher than they are today.

Ethanol can gradually replace gasoline in significant amounts. Ethanol can also provide numerous and diverse benefits, including environmental, economic, national security, and public health benefits.

Environmentally, ethanol is inherently safer to use than gasoline because it emits less hydrocarbons and other toxic gases. Ethanol is also rapidly biodegraded in surface water, groundwater and soil. As a result, ethanol use does not pose long term pollution or health hazards.

Ethanol is a clean burning fuel produced by fermenting sugars derived from starch based crops such as corn and milo. These crops are renewable and can be reproduced indefinitely without depleting our natural resources.

With today's advanced technologies, we can produce ethanol from cellulosic biomass such as waste wood, municipal waste, and switchgrass. With the vast amount of unused farm land available in America, we can grow abundant biomass and other raw materials in amounts that sustain the required level of production of ethanol in the U.S. Once implemented, this program will diminish the demand for conventional biofuel feedstocks, such as corn.

Contrary to widespread media reports, ethanol production does not take food out of people's mouths. Only 10% of the corn produced in the U.S. is actually used for human consumption. Moreover, ethanol has very little effect on food prices. In reality, energy and transportation costs are the primary factors affecting food prices at the store today.

The ethanol industry also provides many positive solutions for America, especially at the present time. Ethanol production stimulates and expands our economy. It creates jobs and increased revenues. More importantly, it brings balance to all sectors of our economy from agriculture and manufacturing to the service industry. These benefits are available to all nations in the global market, including the member countries of the OSCE.

John Urbanchuk, a renowned biofuel economist, states in a report we have submitted, that in 2007 the ethanol industry created over 236,000 jobs in all sectors of the economy; \$12.3 billion dollars of consumer income; about \$48 billion dollars in capital spending; and almost \$8 billion dollars in state and federal tax revenues.

Let me share an example specific to Nexsun's business. Mr. Urbanchuk has determined that Nexsun's 48 million gallon ethanol plant under construction in Ulysses, Kansas will create 54 direct permanent jobs and as many as 942 indirect jobs; generate approximately \$180 million dollars in annual revenues; and millions of dollars in tax revenue and increased household income.

Mr. Chairman, the ethanol industry is growing and it's dynamic. The necessity and demand for ethanol is compelling. However, the industry still remains in an infant stage. It needs government support to nurture it until it fully develops and can sustain itself as an independent source of alternative energy. To accomplish this, we must have long term sustainable energy policies, including producer tax credits and loan programs, that support the widespread development and use of alternative fuels such as ethanol. Such legislative action will reduce our dependence on foreign oil and strengthen our energy security.

Thank you very much.

