

**Comment to the Environmental Protection Agency
Re: Treatment of Palm Oil Under the Renewable Fuels Standard
American Legislative Exchange Council**

Docket ID No. EPA-HQ-OAR-2011-0542

The American Legislative Exchange Council (ALEC) is a non-partisan, non-profit, membership organization consisting of over 2,000 state legislators representing all 50 states who share a common commitment to free markets and limited government. It has come to our attention that you are accepting comments with reference to your decision to restrict the importation of palm oil for use as an accepted biofuel, an issue that is of great interest to ALEC and especially ALEC's International Relations Task Force (IRTF).

The liberalization of global trade has been one of the great humanitarian achievements of the modern world. ALEC's IRTF recognizes this fact in its mission statement which affirms a belief "in the power of free markets to propel economic growth not just in the United States but around the globe." The reduction of trade barriers has led to a massive increase in global economic growth and has facilitated the exchange of technology enabling once poor nations to climb the ladder toward prosperity. In the process, billions of men, women, and children across the world have been liberated from dehumanizing poverty.

The Environmental Protection Agency's (EPA's) decision to restrict the trade of tropical palm oil marks an abandonment of free trade principles that have been so beneficial to so many. The Agency's decision counters and threatens to erase decades of political and social progress. ALEC's IRTF members have approved several resolutions that relate to this topic, the most applicable of which is our "Resolution to Recognize and Commend the United States-Indonesia Comprehensive Partnership and Its Global Significance of Enhanced Cooperation between the United States and Indonesia." As Indonesia is the largest producer of palm oil, we have included this resolution for your review. Further, the EPA's decision cannot be justified based on environmental or economic considerations. Because of this, we strongly urge the Agency to reverse this decision.

ALEC's IRTF holds that economic prosperity is one of the surest ways to ensure a country's political stability which in turn creates a hospitable environment for a stronger strategic partnership. We have articulated this point in a number of IRTF resolutions, including the one enclosed affirming the US-Indonesia Comprehensive Partnership. In the resolution we note that the U.S. "has important economic, commercial and security interests" there because Indonesia serves as "a linchpin of regional security" stemming from its "location astride a number of key international maritime straits, particularly the Malacca Strait." President Obama also understands the link between economic and strategic security interests explaining why he launched the Partnership in autumn 2010 and charged it with focusing on energy, security, trade & investment and democracy & civil society. The EPA's decision is inconsistent with the President's emphasis on strengthening cooperation with this vital geostrategic region and ALEC's resolution supporting this important partnership.

The harms done should the EPA's decision remain are many and widespread and they are worth considering in greater detail.

Limiting the market access of competitive biofuel feedstocks will undermine America's energy security. The United States has a growing population and a growing economy resulting in an increasing need for energy for the foreseeable future. Given that reality, the U.S. needs to pursue all available safe and cost-effective energy sources for its transportation and electricity needs.

This means tapping America's abundant supplies of conventional and alternative fuels, from natural gas to solar and beyond. It also means welcoming foreign fuels that help diversify America's energy supply, including foreign biofuels, such as palm oil.

Security is to be found in diversity of supply, a lesson the country learned the hard way during the oil shocks of the 1970s. The country must keep all options on the table.

While the EPA's decision harms America's energy security, it also threatens to do serious harm to America's trade relations. And it is doing so at a time when beneficial economic partnerships with regional actors such as Indonesia and Malaysia are a critical to America's broader national security strategy.

For decades the United States has led the world forward toward more open and freer trade through its rhetoric and by example. The United States has lowered and eliminated many barriers to trade, encouraging other nations to do so in the process. The imposition of a non-tariff barrier to trade of the kind advanced by the EPA reverses the direction and thrust of long-standing American trade policy.

This sets a dangerous precedent in at least two ways. It encourages other agencies of the federal government to consider the imposition of trade barriers for the benefit of domestic constituencies (in this case, environmental groups and domestic biofuel producers), and it prompts foreign governments to question America's commitment to trade liberalization. In the process, foreign critics of free markets are emboldened jeopardizing the trade liberalization initiatives around the world. Rarely is a new barrier to trade unmet by a retaliatory measure.

The EPA's decision has serious implications for a number of important bilateral and multilateral trade agreements. It threatens to strike a blow to the Free Trade Agreement with Colombia, an important strategic partner and a producer of palm oil. It also jeopardizes the Trans-Pacific Partnership (TPP) that is currently being extended to vital trading partners and allies in Southeast Asia. These friends across the Pacific are also significant producers of this clean, efficient biofuel.

Additionally, the EPA's decision introduces arbitrary and inaccurate criteria to justify trade barriers in order to promote subsidized constituencies. The United States should not expect its foreign trade partners to take such unfair treatment lightly. Further, we cannot hope to hold our trading partners to the high standards codified and being codified in agreements such as the U.S.-Korea Free Trade Agreement and the TPP, if we ignore the rules when it suits our agricultural sectors' interests.

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The EPA's decision will also be costly for consumers. America's energy consumers will be denied access to one of the most energy-dense sources of power on the planet. Palm oil is the most efficient of all biomass-based fuels, more so than soy, rapeseed, corn and other feedstocks. Restricting the ability of consumers to choose this fuel will automatically result in higher prices.

Decisions such as this go a long way toward explaining why the American public's satisfaction with its government is at historic lows; why cynicism is on the rise; and why Americans feel its leaders work too often to advance the interests of the powerful and well connected, and against the general public interest.

With its decision, the EPA jeopardizes America's energy security; its crucial trade and diplomatic relations; and the interests of American consumers. And it does so with no discernible benefit to the environment. It is time for the EPA to reconsider.

Respectfully yours,



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