



Federal Biofuel Mandates Are an Expensive Flop

Federal biofuel mandates have failed to accomplish their stated objectives while forcing consumers to pay higher prices for food and fuel, a new [American Action Forum \(AAF\) report](#) concludes.

Congress created the Renewable Fuel Standard (RFS) in 2005 to reduce the United States' dependence on foreign oil by replacing it with corn-based ethanol and other biofuels. Two years later, lawmakers set targets for biofuel-gasoline blends and imposed a mandate to reduce greenhouse-gas emissions.



In reality, according to AAF's Philip Rossetti, "the RFS is probably not improving either energy security or the environment."

The 2007 law's "targets have proven to be too ambitious," particularly when it comes to advanced biofuels, Rossetti finds. On the one hand, production of advanced biofuels has never met the mandates. On the other, while ethanol production has met the mandates, it has never exceeded them, suggesting that "the real demand for ethanol ... has plateaued and is likely less than the mandate requires," so "the mandate is artificially inflating demand for ethanol."

"The principal objective of the RFS is to reduce oil imports, but the data indicates, ironically, that the RFS is instead undermining domestic oil production," pens Rossetti. Net oil imports have declined, mostly because of increased domestic production. And since today more oil is produced domestically than imported, it stands to reason that biofuels have taken more market share from domestic oil than from foreign oil.

The RFS's alleged environmental benefits are also suspect. The government assumes that ethanol "produces around 80 percent of the greenhouse gas emissions as gasoline," notes Rossetti. This assumption, however, is based strictly on the output of the combustion of ethanol. Citing a 2014 University of Minnesota study, Rossetti writes, "When the entire lifecycle of corn-based ethanol is evaluated, its monetized health impacts are 80 percent higher than gasoline — and that's after considering climate benefits." Furthermore, by reducing the demand for domestic oil, thereby lowering the price of oil on the world market, "the RFS could also boost global consumption of gasoline," negating some of the supposed environmental benefits gained at home.

If the RFS merely failed to achieve its goals, it would just be a nuisance. Unfortunately, it also has real costs for consumers.

"Since the RFS forces gasoline consumers to purchase ethanol, the program is effectively a wealth transfer from energy consumers to corn growers," observes Rossetti. "Over the past 10 years," he computes, "Americans spent a total of \$76.7 billion more on fuel because of the RFS." This increased cost is mostly due to the fact that 1.5 gallons of ethanol are required to obtain the same energy as in one gallon of gasoline. Of course, gasoline would have cost more in the absence of the ethanol mandate



Written by [Michael Tennant](#) on April 20, 2018

because consumers would have bought more of it, but Rossetti believes it would not materially affect his calculation of the RFS's overall impact on fuel costs.

Then there are the compliance costs. In order to prove they are meeting their mandated targets, biofuel refiners have to buy "renewable identification numbers." Rossetti calculates that this adds \$5.8 to \$19.3 billion a year to their costs, "which," he surmises, "are almost certainly passed on to consumers at the pump."

By increasing the demand for corn, the RFS also causes food prices to rise, avers Rossetti. He cites studies finding that the RFS raises corn prices anywhere from eight to 68 percent and, in conjunction with similar European Union mandates, hikes global food prices by 17 percent. While some have disputed these conclusions, Rossetti finds reason to doubt their motives, noting, "The energetic defense of the RFS from interest groups indicates that the RFS is propping up demand significantly, since if demand for corn were expected to be as high without the RFS, there would be only a marginal need to defend it."

Indeed, the fact that certain well-heeled interest groups benefit from the RFS is probably the main reason it remains on the books — albeit with some [waivers](#) granted to refiners by the Trump administration — despite its manifest failure.

Still, the law is a bad deal all around, and on top of that, it's unconstitutional. "The only real solution to the RFS," Rossetti rightly declares, "is to repeal it outright."

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