

RENEWABLE FUEL STANDARD

The Renewable Fuel Standard (RFS), which requires refiners to blend and sell ever-increasing quantities of biofuel over a 15-year period (2007–2022), is a textbook study in the law of unintended consequences. It adds billions of dollars to the cost of food, prompts more greenhouse gas emissions than the petroleum consumption it is supposed to displace, contributes agricultural runoff, and imposes a hidden tax on motorists and billions in costs on poultry, hog, beef, and dairy farmers. Moreover, it has done little to reduce American dependence on foreign oil.

Congress should:

- ◆ Freeze the Renewable Fuel Standard at 15.1 billion gallons, as proposed by the U.S. Environmental Protection Agency (EPA) in November 2013.
- ◆ Develop and pass a plan to phase out the RFS.

By inflating corn and other commodity prices, the Renewable Fuel Standard adds billions of dollars to the cost of food.

The RFS is also bad for the environment. It shrinks species habitat by spurring farmers to shift 23 million acres of grassland, shrubland, and wetlands from food to fuel crops during 2008–2011, according to analysis by the Environmental Working Group. By artificially increasing demand for corn, the RFS contributes significantly to agricultural runoff and the 5,000-square-mile Gulf of Mexico “dead zone,” where fertilizer-fueled algae blooms sink, decompose, and deplete oxygen in bottom waters, killing fish, crustaceans, and other marine animals.

The RFS may also be counterproductive as a greenhouse gas mitigation strategy. Shifting agricultural land from food crops to fuel crops releases carbon locked in soils, leading to more greenhouse gas emissions than the petroleum consumption it displaces.

The RFS also imposes a hidden tax on motorists, because ethanol has one-third less energy than an equal volume of gasoline. The RFS increased consumer spending on motor fuel by \$14.5 billion (10 cents per gallon) in 2011, according to economist Thomas Elam.

The RFS has done little to reduce American dependence on foreign oil, which has come about largely because of increased fossil-fuel production here at home (and oil imports are a false security threat anyway). Instead, the RFS contributed to global instability, by adding to grain price spikes that triggered food riots in Africa and the Middle East in 2008 and 2011, according to the New England Complex Systems Institute.

Although the RFS does benefit corn farmers, it imposes billions in costs on poultry, hog, beef, and dairy farmers, who use corn as animal feed. The RFS contributed to widespread livestock-sector bankruptcies and job losses during the 2012 drought.

The RFS’s 15-year production quota schedule is supposed to ensure regulatory predictability. Instead, the growing mismatch between statutory RFS blending targets and the amount of ethanol the market can actually absorb (a constraint known as the “blend wall”) ensures that the EPA determines each year’s target on the basis of political calculations and interest-group lobbying.

For Further Reading

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