

The House Committee on Energy and Commerce last week issued the [first in a series of white papers examining the renewable fuel standard \(RFS\)](#) that was created by the Energy Policy Act of 2005 and greatly expanded under the Energy Independence and Security Act of 2007. This bipartisan review is welcome. Fuel mandates and subsidies harm the environment, consumers, and taxpayers. They discourage innovation, and encouraging political rent-seeking, and Congress should eliminate them.

**Renewable fuel standards harm the environment:** [Studies](#) have shown that increases in corn-based ethanol production required by the renewable fuel mandates damage ecosystems, wildlife habitat, and fisheries. EPA estimates that [its boost to the 2013 biodiesel mandate](#) imposes additional costs of up to \$52 million per year associated with deteriorated air quality. Ironically, [that standard forces increased emissions of air toxics and “criteria” pollutants](#), which, in [other rulemakings](#), EPA requires states to reduce without regard to the cost of doing so. Further, [experts find](#) that requirements to produce and use E-85 ethanol biofuel will most certainly not be carbon neutral, and they question whether current renewable fuel mandates increase or reduce carbon emissions compared to traditional gasoline.

**Renewable fuel standards hurt consumers:** EPA predicts that its recent [biodiesel mandate](#) will increase both U.S. and world commodity prices for soy products. The increased fuel prices – between \$253 million and \$381 million in 2013 alone, or between \$0.90 and \$1.36 per additional gallon of biodiesel required by the standard – are only a fraction of the total consumer cost.

**Renewable fuel subsidies cost taxpayers:** An analysis of Government Accountability Office data shows that replacing about 2% of the US gasoline supply with biofuels in 2008 cost U.S. taxpayers \$4 billion in subsidies. According to researchers at [Rice University](#), this works out to an average taxpayer cost of \$1.95/gallon for each traditional gallon of gasoline substituted with biofuels.

**Renewable fuel standards distort markets:** [In a recent analysis](#), [GW Regulatory Studies Center](#) Policy Analyst Sofie Miller asked why EPA would pursue biodiesel standards that by its own estimates will incur between \$263 million and \$425 million in net costs while harming air and water quality. Her conclusion was consistent with what political economists call rent-seeking; the rule will deliver concentrated benefits to a concentrated interest: the soybean industry. The rule will raise the price of soybeans by 18 cents per bushel, yielding soybean farmers a \$550 million increase in revenues based on 2011 bushel-production figures. The price of soybean oil is expected to rise by 3 cents per pound, adding up to a \$1.2 billion increase in revenues for soybean oil producers. Is it any wonder that Secretary of Agriculture Tom Vilsack traveled to Iowa, where his wife was running for Congress, to announce the mandate in a soybean oil processing plant?



Advocates try to justify subsidies and mandates by citing the need to nurture an infant industry so that it can grow to participate in a competitive market place without support. But biofuels are no infant industry. [The first vehicles, including Henry Ford's Model T, were built to run on ethanol.](#) After a century, the success of biofuels as a competitive fuel source should not depend on legislated mandates or costly subsidies. Rather than encouraging healthy competition, which provides incentives for innovation and efficiency, the mandates encourage political rent-seeking, and harm the environment, consumers and taxpayers in the process.

*This commentary is based on a National Journal Energy Experts Blog response to reporter Amy Harder's question: [Biofuels Mandate: Defend, Reform or Repeal?](#)*

