

Top Ten Reasons to Eliminate Renewable Fuel Standards

By Scott Alford

Renewable Fuel Standards (RFS) are the ultimate example of why government is best left on the sidelines of the free market. In an effort to promote clean energy, the Environmental Protection Agency (EPA) enacted these RFS standards, requiring a certain level of ethanol to be blended into the nation's fuel supply. The result has been myriad unintended consequences across the economy, from agriculture to the auto industry.

Despite the lackluster results, the EPA has decided to slowly intensify the standards. In early 2013, the EPA decided to increase fuel standard from E-10 (an effective blend of ten percent) to E-15 (15 percent), slowly choking an already overburdened energy market. The situation is quickly coming to a head and the repercussions will soon be highly visible at the car dealership, gas pump, and grocery store if nothing is done to repeal these standards. Here are the Top 10 of many reasons to eliminate RFS once and for all:

1) The Standards are Based on Faulty Economic Projections

According to [The Congressional Research Service](#)¹, the EPA, when determining the RFS, adopted the Department of Energy's (DOE) 2007 oil consumption projections. These numbers were based on the assumption of increasing oil consumption; however the data failed to factor in recessions or variation in oil use. When new efficiency standards and the recent recession drove consumption down, the result is higher than anticipated mandated levels of ethanol in the fuel supply, jeopardizing automobile engines and fuel infrastructure.

Further, EPA policy is forcing refining companies to meet -unrealistic standards for unproven fuels. For example, in year 2011, the EPA [issued](#)² a \$6.8 million penalty on refiners for failing to meet the 6.6 million gallon cellulosic biofuel mandate despite overwhelming testimony explaining that production of that fuel at the mandated level wasn't plausible.

¹ <http://www.fas.org/sgp/crs/misc/R40155.pdf>

² <http://www.nytimes.com/2012/01/10/business/energy-environment/companies-face-fines-for-not-using-unavailable-biofuel.html?nl=todaysheadlines&emc=tha25&r=3&>



2) Renewable Fuel Standards (RFS) Damage Engines

Scientific studies demonstrate blends of ethanol create risk for automobile engine because of the corrosive properties of alcohol. Therefore, the current E-15 standards are potentially debilitating to automobile motorcycle, and boat engines.. The EPA even warns the owners of older or specialized vehicles to avoid the new E-15 fuels because of the high risk of serious injury or death.

Brent Bailey, head of a bio research group, has performed 20 studies on the effects of new ethanol blends. He describes the results on older cars as looking "[a little bit like Russian roulette](#)."³ In other words, most cars will be fine but there is a significant danger to consumers if someone places the new fuel in older cars.

3) Violates Warranties

All of the major manufactures of vehicles have suggested consumers avoid fuels with over 10 percent because it might damage their car and void manufacturer warranties. Some car companies have placed labels on new cars warning that they are not responsible for damages caused by E-15 fuel. This also prompted AAA⁴ to issue a warning that EPA policy [establishes a "strong likelihood"](#) of consumer confusion and the potential for voided warranties.⁵

4) Burdensome to Gas Stations

The new RFS requirement will require gas stations, [95% which are individually owned](#), to revamp and renovate their pump infrastructures. They will be required to have pumps known as "blender pumps" which dispense both E-10 and E-15. Often, gas stations make pennies per gallon sold and new infrastructure will harm gas station owners forcing them to raise prices or risk bankruptcy.

5) 4 Gallon Mandate

Because of the dangers that E-15 Fuel poses to certain engines, the EPA will begin requiring at least [four gallons](#) of fuel to be purchased by all customers at stations that sell E-15 and use blender pumps⁶. The rule is designed to prevent people from buying small quantities of E-10 which could be contaminated by residual levels of E-15 in the pump system.

This regulation is far outside the authority bestowed upon the EPA which has neither the authorization to regulate nor the means to enforce such a policy. Representatives James Sensenbrenner (R-Wis.) and Chip Cracack (R-Minn.) summed it up well in a [letter to the EPA](#) ⁷"EPA's first-ever fuel purchase requirement appears to have been made outside the normal rulemaking process, seems antithetical to free markets, and highlights the flaws in the Agency's hasty decision to grant partial waivers for E15 prior to comprehensive scientific assessment and evaluation."

³ <http://www.npr.org/2013/04/01/175871273/epas-push-for-more-ethanol-could-be-too-little-too-late>

⁴ <http://www.dailytech.com/AAA+Calls+on+EPA+to+Put+a+Stop+to+E15+Gasoline+Says+Its+Dangerous+to+Vehicles/article29318.htm>

⁵ <http://www.prnewswire.com/news-releases/new-e15-gasoline-may-damage-vehicles-and-cause-consumer-confusion-181515061.html>

⁶ <http://content.usatoday.com/communities/driveon/post/2012/09/With-15-ethanol-gas-1-gallon-wont-be-enough-70000853/15-ethanol-minimum/70000853/1#.UgWxRtK1GSp>

⁷ <http://cnsnews.com/news/article/epa-sets-4-gallon-minimum-motorists-buying-gas-ethanol-15-pumps>



6) Reduce Fuel Efficiency

The energy density of ethanol is lower than normal gasoline. US News reported that ethanol delivers 25% less mpg than regular unleaded gasoline. This means that consumers have to purchase more fuel to drive the same distances. [Consumer Reports](#) explained that ethanol not only contains less energy than gasoline; it takes a lot more energy to produce⁸. Thus, the RFS make both the consumption and production of energy less efficient.

7) CAFÉ standard Attainment for Car Manufactures More Difficult

The White House has set new fuel economy standards through the National Highway Traffic Safety Administration (NHTSA). Corporate Average Fuel Economy (CAFE) standards dramatically increase fuel mileage requirements to [54.5 miles per gallon by 2025](#) for the entire fleet of cars⁹.

However, the new renewable fuel standards would [gradually reduce](#)¹⁰ the gas mileage of car engines because ethanol is less energy dense than oil. Thus the two policies are working against each other while manufactures are stuck trying to comply with an [unreachable CAFE standard](#).¹¹

8) Rent Seeking: Farmer Lobby Over the American Consumer

Looking at the math, the EPA's policy concentrates the benefits and widely distributes the harms. [Sofie Miller](#), a Policy Analyst at the George Washington University Regulatory Studies Center, concluded that the EPA's policy was consistent with political rent-seeking. This rule concentrates benefits to special farm interests like the corn and the soybean industries.

For example: the rule will raise soybeans prices by 18 cents per bushel, yielding soybean farmers a \$550 million increase in revenues based on 2011 bushel-production figures. ¹²The 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. This is one example of how the EPA continues to promulgate political favors rather than sound policy. Rather than encouraging healthy competition, the fuel mandates encourage political rent-seeking harming consumers and taxpayers.

9) Environmental Impact

The EPA claims a major motivation behind Renewable Fuel Standards is protection of the environment. RFS prop up biofuel markets like Ethanol. However, numerous studies reveal ethanol may actually cause more net harm than normal fossil fuels. One issue with ethanol production is water usage. According to a 2007 study by the U.S. National Academy of Sciences, US ethanol consumes [200 times](#) more water in production than normal corn crops.¹³ The new mandates encourage increased conversions of wetland into farmland.

⁸ <http://www.consumerreports.org/cro/2011/01/the-great-ethanol-debate/index.htm>

⁹ <http://www.nytimes.com/2012/08/29/business/energy-environment/obama-unveils-tighter-fuel-efficiency-standards.html>

¹⁰ <http://heartland.org/policy-documents/research-commentary-renewable-fuel-standard>

¹¹ <http://www.freedomworks.org/blog/backtoliberty/government-fuel-standards-you-can%E2%80%99t-have-your-cake>

¹² http://research.columbian.gwu.edu/regulatorystudies/sites/default/files/u41/Dudley_biodiesel_03262013.pdf

¹³ http://e360.yale.edu/feature/the_case_against_biofuels_probing_ethanols_hidden_costs/2251/



The [Swiss Federal Laboratories](#) concluded that biofuels “often shift environmental burdens toward land-use related impacts.” The corn ethanol requirement has resulted in more loss of wetlands and grasslands in the last four years than in the previous 40. With increased farming comes more fertilizer and pesticides that pollute the soil and underground aquifers and waterways. The Organization for Economic Cooperation and Development also [concluded](#) “The overall environmental impacts of ethanol and biodiesel can very easily exceed those of petrol and mineral diesel.”¹⁴

10) Dramatically Rising Food and Gas Prices

The laws of supply and demand explain the cost of the ethanol requirement. By using corn for fuel, the cost of corn has skyrocketed. First, corn was originally cheap feed for animals, but with the increase demand for corn resulting from the RFS, the supply for animal feed has increased causing prices of milk, eggs, and meat to rise dramatically.

Further, a study by NERA Economic Consulting found that the RFS will result in a 30% increase in gasoline prices and a 300% increase in the cost of diesel fuel in 2015.

¹⁴ http://www.nytimes.com/2007/09/19/opinion/19wed1.html?_r=0

