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Switching To Biofuels Could Cost Lots of Green

By [Steven Mufson](#) and [Dan Morgan](#)

Washington Post Staff Writers

Friday, June 8, 2007; Page D01

As [President Bush](#) and congressional leaders rally support for their ambitious biofuel proposals, one ingredient is often left unstated: the cost.

Bush and members of Congress stress energy independence and environmental benefits of federal requirements for a massive increase in the use of biofuels in motor vehicles. But so far they have muted discussion of the prosaic details of how to pay for the subsidies and other incentives seen as crucial for meeting the new biofuels targets.

If the current tax credits, grants and loan guarantees are extended, the package would cost taxpayers \$140 billion more over the next 15 years. New proposals under consideration in Congress could raise that tab to \$205 billion.

Neither the [White House](#) nor Congress has spelled out how they plan to square the costs with other budget priorities. Paying for the incentive programs, which are supported

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Seed corn is loaded near Rochelle, Ill. More U.S. acres are expected to be planted with corn this year to help produce more ethanol. (By Scott Olson -- Getty Images)

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by a bipartisan coalition of lawmakers, could clash with keeping the federal budget deficit under control. Democrats have vowed to abide by so-called pay-as-go rules -- offsetting new programs with spending cuts or new tax revenue.

"We aren't paying enough attention to the green lost to the Treasury . . . in stimulating ethanol to make the environment greener," said Robert D. Reischauer, president of the Urban Institute and former director of the [Congressional Budget Office](#). "Before we leap to extend subsidies for alternative fuels or ethanol, we need to take a hard look at their impact on future deficits."

The biggest single expense would be an extension of a 51-cent-a-gallon ethanol tax credit scheduled to expire in 2010. It would cost the federal government an extra \$131 billion through 2022 under a fuel mandate that recently cleared the Senate Energy and Natural Resources Committee. (It would cost \$18.36 billion in 2022 alone.)

In his State of the Union address in January, Bush proposed mandating the use of 35 billion gallons of renewable and alternative motor fuels by 2017. Some proposals in Congress go even further. The Senate energy committee recently passed a bill that would give industry until 2022 to meet a 36 billion gallon target. Sens. Richard C. Lugar (R-Ind.) and [Tom Harkin](#) (D-Iowa) are backing a measure that would push that to 60 billion gallons by 2030.

The Senate energy committee version is set to go to the Senate floor



Soaring gasoline and oil prices are encouraging

many to seek out alternative fuel sources. One such means is [ethanol](#), a clean-burning, high-octane fuel produced from crops such as corn. On April 25, 2006 President Bush announced a [four-part plan](#) to confront rising energy prices.

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GRAPHIC

[Renewable Fuel's Price Tag](#)

The oil industry gets a 51-cent tax credit for every gallon of ethanol blended into the motor fuel supply. Legislation approved by the Senate Energy and Natural Resources Committee mandates the use of 36 billion gallons of ethanol motor fuel by 2022. This is what it would cost the federal government if the ethanol tax credit, set to expire in 2010, were extended to cover that period.

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next week, and a similar mandate is being drafted by the [House Energy and Commerce Committee](#). But the budget dilemma will hit when extended and expanded tax breaks are put on the table in the [House Ways and Means](#) or Senate Finance committees. That hasn't happened yet.

The agribusiness community has recently split over the issue. The chicken and cattle industries, hurt by rising corn prices as demand for ethanol climbs, have lobbied against the generous tax subsidies for corn farmers and others in the ethanol industry.

But political support for biofuel has spread far beyond the traditional agriculture constituencies. Concern about greenhouse gases, high gasoline prices and [U.S.](#) reliance on oil imports has generated support for biofuel makers. The early 2008 presidential caucus in [Iowa](#) is making support of biofuel popular among candidates.

Besides the ethanol tax credit, other current incentives include a \$1-a-gallon biodiesel tax credit, a subsidy for service stations that install E85 pumps, spending by the [Agriculture Department](#) on energy programs, and various other [Energy Department](#) grants and loan guarantees.

Various proposals in Congress would add to those costs.

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