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Ethanol's Grocery Bill

Two federal studies add up the corn fuel's exorbitant cost.

The Obama Administration is pushing a big expansion in ethanol, including a mandate to increase the share of the corn-based fuel required in gasoline to 15% from 10%. Apparently no one in the Administration has read a pair of new studies, one from its own EPA, that expose ethanol as a bad deal for consumers with little environmental benefit.

The biofuels industry already receives a 45 cent tax credit for every gallon of ethanol produced, or about \$3 billion a year. Meanwhile, import tariffs of 54 cents a gallon and an ad valorem tariff of four to seven cents a gallon keep out sugar-based ethanol from Brazil and the Caribbean. The federal 10% blending requirement insures a market for ethanol whether consumers want it or not -- a market Congress has mandated will double to 20.5 billion gallons in 2015.

The Congressional Budget Office reported last month that Americans pay another surcharge for ethanol in higher food prices. CBO estimates that from April 2007 to April 2008 "the increased use of ethanol accounted for about 10 percent to 15 percent of the rise in food prices." Ethanol raises food prices because millions of acres of farmland and three billion bushels of corn were diverted to ethanol from food production. Americans spend about \$1.1 trillion a year on food, so in 2007 the ethanol subsidy cost families between \$5.5 billion and \$8.8 billion in higher grocery bills.

A second study -- by the Environmental Protection Agency's Office of Transportation and Air Quality -- explains that the reduction in CO₂ emissions from burning ethanol are minimal and maybe negative. Making ethanol requires new land from clearing forest and grasslands that would otherwise sequester carbon emissions. "As with petroleum based fuels," the report concludes: "GHG [greenhouse gas] emissions are associated with the conversion and combustion of bio-fuels and every year they are produced GHG emissions could be released through time if new acres are needed to produce corn or other crops for biofuels."

The EPA study also explores a series of alternative scenarios over 30 to 100 years. In some cases ethanol leads to a net reduction in carbon relative to using gasoline. But many other long-term scenarios observe a net increase in CO₂ relative to burning fossil fuels. Ethanol produced in a "basic natural gas fired dry mill" will over a 30-year horizon produce "a 5% increase in GHG emissions compared to petroleum gasoline." When ethanol is produced with coal burning mills, the process "significantly worsens the lifecycle GHG impact of ethanol" creating 34% more greenhouse gases than gasoline does over 30 years.

Both CBO and EPA find that in theory cellulosic ethanol -- from wood chips, grasses and biowaste -- would reduce carbon emissions. However, as CBO emphasizes, "current technologies for producing cellulosic ethanol are not commercially viable." The ethanol lobby is attempting a giant bait-and-switch: Keep claiming that cellulosic ethanol is just around the corner, even as it knows the only current technology to meet federal mandates is corn ethanol (or sugar, if it didn't face an import tariff).

As public policy, ethanol is like the joke about the baseball prospect who is a poor hitter but a bad fielder. It doesn't reduce CO2 but it does cost more. Imagine how many subsidies the Beltway would throw at ethanol if the fuel actually had any benefits.

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