

Ethanol Pig

It's in your gas tank right now and it's one of the worst boondoggles in the history of energy. No, I'm not talking about gasoline, the incredibly valuable fluid that makes modern life wonderful in more ways than people realize. I'm referring to gasoline's bloated and ugly, distant cousin, ethanol.

This unnecessary fuel source has less energy content than gasoline, drives up the cost of gas and food, promotes inefficient and destructive land use and even messes up small engines. Yeah, she's a real pig. Why do we even use ethanol? That is a good question.

A little more than a decade ago American oil prospects looked bleak. We were importing about 65 percent of our oil—a lot of it from unfriendly parts of the world—and it looked like oil supplies worldwide were entering an irreversible decline. Politicians thought part of the solution was ethanol, a light fuel produced from corn. Congress created the Renewable Fuel Standard in 2005, which forced refiners to mix corn-based fuel into their gasoline. And, as is the case with most things the government tries to fix, the scheme quickly went sideways.

In 2007 President Bush signed the Energy Independence Security Act, which expanded the ethanol mandate by providing lavish tax credits and subsidies to corn farmers and ethanol blenders. They both saw an easier way to make more money and lickety-split, 40 percent of America's corn crop went into our gas tanks.

What happened next was entirely predictable. The price of corn, which had been about two dollars a bushel for decades, rocketed to eight bucks a bushel by 2012. Farmers planted millions more acres of corn instead of wheat, soybean, cotton and hay, which drove those crops to all-time highs as well. Cattle farmers couldn't afford the feed, so they trimmed their herds to numbers not seen since the 1950's, causing beef prices to climb by 60 percent.

While all this was going on the shale revolution took hold in the oil patch and American oil production began its rapid climb. By early 2018 the U.S. was producing more than 10 million barrels of oil a day, more than it had since 1970. America is expected to become the world's top oil producer in 2019. With all of that oil production why in the world is the U.S. government still forcing gasoline retailers to use ethanol?

The answer, of course, is politics. Farm state Republican Senators Chuck Grassley, Joni Ernst and Deb Fisher have joined forces with Democrats to keep the boondoggle going. As we all know, to politicians, votes matter more than economics or even common sense.

The ethanol pig is estimated to be costing consumers \$10 billion dollars a year just in extra fuel costs, which translates into about \$50 per driver. And it's not just consumers taking the hit.

Many independent refiners lack the infrastructure to blend ethanol into their gasoline, so the government forces them to buy Renewable Identification Numbers instead. These "RINs" as they are called, are as unnecessary as ethanol, and they cost a lot of money. The biggest refinery on the east coast, Philadelphia Energy Solutions, filed for bankruptcy protection in January of 2018 because of the astronomical cost of RINs. The refinery has spent \$832 million on RINs since 2012, which is twice the cost of its payroll.

The ethanol fiasco continues because the federal government distorted the energy market with subsidies and mandates to support biofuels. It doesn't matter that the oil and natural gas business made burdensome ethanol totally unnecessary years ago. Politicians in Corn Belt states need their votes, so they put lipstick on that pig and ask us all to give her a big smooch.

For the Clear Energy Alliance, I'm Mark Mathis.

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