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EPA Delays Decision About Ethanol Relief

The Environmental Protection Agency has put off a decision on Texas' reasonable request for temporary relief from ethanol requirements for gasoline. Now Iowa Democratic Sen. Tom Harkin is pressuring the agency to deny the request, claiming that ethanol deserves the credit for keeping gasoline prices low. "Ethanol is keeping gas 24 to 40 cents cheaper than it otherwise would be," Harkin said in a conference call with reporters last week. "So consumers are benefiting from that, and that should not be overlooked." Even if that's true — and Harkin offered no evidence — what he's overlooking is the effect ethanol mandates are having on food prices. "A growing mountain of evidence reveals the economic and environmental folly of federal ethanol policy," says Kathleen Hartnett White of the Texas Public Policy Foundation. "Texas is only beginning to see the rising food prices that federal ethanol policy could generate. Last year's more than 4 percent rise in food prices stems from the 2005 Energy Policy Act. Food prices may increase as much as 8 percent this year." Those price increases are hurting consumers, she says. "The retail price of eggs increased 29 percent last year; cereal products, 6.5 percent; sweetened beverages, 4.5 percent; beef, 4.4 percent," she reports. "All depend on corn-based ingredients or corn feed grains. One-fourth of the 2007 U.S. corn crop was converted to ethanol; the U.S. Department of Agriculture projects that 30-35 percent of this year's crop will become ethanol." The omnibus energy bill passed in December mandates that 9 billion gallons of ethanol will be blended into gasoline in the next 12 months. Perry asked the EPA in April to reduce the Renewable Fuels Standard requirement to 4.5 billion gallons. "Texas is the appropriate state to call for a change in federal ethanol mandates," Ms. White says. "The indirect costs of ethanol hurt Texans in the grocery store as well as key agricultural sectors of the state economy. All animal agriculture — beef cattle, dairy, swine and poultry — uses corn-based feed grains." Perry's letter to the EPA says higher corn prices cost the Texas economy at least \$1.17 billion. "And ethanol is an ineffective means of reducing reliance on imported oil," Ms. White adds. "While domestic production of ethanol doubled between 2003 and 2007, imports of oil and refined gasoline increased. A deficit in refining capacity and an approaching surfeit of ethanol production capacity will not increase the security of our gasoline supply or stability of gasoline prices. But what happens to a grain-based fuel supply during the next major drought?" The ethanol mandates are bad policy, benefiting only corn producers. "When you find yourself in a hole, you have to quit digging," Perry said of the mandates. "And we are in a hole." The EPA should grant Perry's request to decrease the ethanol mandates. And Congress should scrap the mandates completely.
