

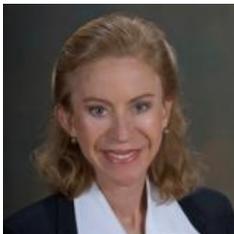
Guest Commentary: Ethanol follies continue with Domestic and Alternative Fuels Act

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By **Kathleen Hartnett White**

As the U.S. House Energy and Commerce Committee considers the many fiascos caused by the federal Renewable Fuel Standard, let's hope they deep-six the Domestic and Alternative Fuels Act (H.R. 1959), co-sponsored by several conservative stalwarts from the Houston area typically more supportive of market dynamics than government mandates. The bill would **add ethanol derived from natural gas under the renewable fuel standard** established by the Energy Independence and Security Act of 2007.



Kathleen Hartnett White, director for the Armstrong Center for Energy and Environment at the Texas Public Policy Foundation

A comprehensive congressional review of the renewable fuel mandates is welcome after almost six years of counterproductive consequences. Infamous for transforming corn — a staple among global food commodities — into an inefficient transportation fuel, the law is rooted in multiple miscalculations about the domestic fuel market and the viability of alternative fuels such as still commercially non-existent cellulosic biofuel. Unexpected in 2007, the historic upsurge in domestic oil and natural gas has brought the U.S. within sight of energy dominance in the global market. Corn ethanol deserves no credit for this stunning achievement.

Supporters of putting ethanol from natural gas under the renewable fuel dictate contend this fuel would relieve the pressure on corn, and avoid the escalating costs on refiners forced to comply with the continually expanding dictate. In 2007, Congress mistakenly assumed that gasoline demand, and thus oil imports, would steadily rise. Annual consumption, in fact, has significantly declined as a result of more fuel-efficient engines and slack economic growth.

With an annually increasing ethanol mandate but decreasing demand for gasoline, the renewable fuel mandate for corn ethanol approaches a "blend wall." This is the point at which there is not enough gasoline in which to blend this year's mandated volume of 13.8 billion gallons of corn ethanol and remain under a 10 percent blending rate. The Environmental Protection Agency approved blends up to 15 percent ethanol but the major automakers will not extend engine warranties above the 10 percent blend. Refiners also resist higher blends to avoid product liability claims for damaged engines.

Ethanol from natural gas will not avoid these pitfalls. When adjusted for energy content, ethanol from corn or natural gas is a less energy-efficient product than petroleum-based gasoline. What percentage of consumers would choose a fuel with over 30 percent less miles per gallon and with perhaps more emissions than conventional gasoline?

To be eligible for the market guaranteed under the renewable fuel standard for ethanol, the fuel must reduce emissions of carbon dioxide by 20 percent compared to a baseline petroleum fuel. Whether ethanol made from natural gas could meet this threshold is questionable. Natural gas has almost twice the energy density of ethanol. And while only 3 percent to 4 percent of the energy content of raw natural gas is lost when converted to compressed natural gas, likely half is lost when natural gas is converted to ethanol.

The EPA supposedly assesses these life-cycle emissions of alternative fuels but gives short shrift to carbon dioxide emissions released in the conversion process. As implemented, environmental impact now takes a back seat to the EPA's self-assigned role as economic master of transportation fuels. Although a federal court admonished EPA that its jurisdiction is environmental and not economic, the agency persists in its new mission "to promote growth in the (renewable) industry." EPA's "market" replaces demand, supply and price with mandates, fines and wishful thinking.

There are so many more valuable uses for natural gas than converting it to an alcohol! Now-abundant domestic natural gas spurs rapid growth in U.S. manufacturing, chemical, fertilizer, and steel industries. Demand for natural gas in electric generation and for compressed natural gas as a transportation fuel has soared — without any federal mandates or subsidies.

It is time to repeal the renewable fuel standard — not to expand or entrench this market distortion. Ethanol can be made from a wide variety of sources. Genuine snake oil, in fact, might be a more thermodynamically efficient source than natural gas or corn.

White is the Distinguished Senior Fellow in Residence and Director for the Armstrong Center for Energy and Environment at the Texas Public Policy Foundation, a non-profit, free-market research institute based in Austin.

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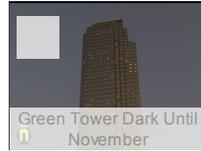
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