

# Renewable Fuels Standard (RFS) Fact Check

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## Anti-RFS Allegations Revisited

*“Forcing states to use ethanol amounts to a transfer of wealth from coastal states to the Midwest ...”*

An ethanol requirement offers every state the opportunity to develop a homegrown biofuels industry, similar to those developed in the Midwest. Ethanol is U.S. product. Petroleum compounds, like those offered by the oil industry to replace MTBE, originate largely outside the United States. Perpetuating petroleum use amounts to a transfer of wealth from all states to other countries and a handful of multi-national oil companies.

*“The RFS forces the use of more ethanol than we need ...”*

Most states are trending toward greater out-of-state and overseas petroleum dependence with a corresponding exportation of jobs and capital. 73 percent of Americans believe that new energy sources should be developed to diminish U.S. dependence on Middle Eastern oil supplies (11/01 Newsweek poll). The RFS target of 5 billion gallons by 2012 is not aggressive. U.S. ethanol industry output will reach an estimated 4.4 billion gallons by 2006 according to a national poll conducted by the California Energy Commission.

*“States like California need more time to comply ...”*

Three out of four major California gasoline refiners have committed to phasing out MTBE by the end of 2002, replacing the additive with ethanol. Those three refiners alone have made shipping and infrastructure arrangements to blend at least 400 million gallons of ethanol in California in 2003.

*“The RFS fleeces American consumers ...”*

Every gallon of liquid fuel consumed in the United States, whether oil or ethanol, is subsidized. While ethanol receives less than \$1 billion in annual subsidies, oil is supported by a minimum of \$15 billion annually, not including the cost of overseas military deployment. In a market where only two products are available to meet demand, a vote against ethanol is a vote for oil. Americans are better off with ethanol.

*“Ethanol poses overall transportation and infrastructure problems ...”*

A January 2002 report completed for the U.S. Department of Energy concluded, "no major infrastructure barriers exist" for expanding the U.S. ethanol industry to 5 billion gallons.

*“There is dangerously high market concentration in the ethanol industry ...”*

Roughly six multinational oil companies dominate 99 percent of the transportation fuels industry. The RFS reserves an extremely small percentage of this market (roughly 1-3%) for renewable fuels. It compels dozens of existing and future major ethanol producers to compete within this market share. Because two production facilities produced nearly every gallon of MTBE, the RFS improves market diversification and price stability, and on balance, significantly increases competition in the overall fuels market.

*“Increasing ethanol use depletes the Highway Trust Fund ...”*

Efforts are underway to ensure that the Highway Trust Fund is not depleted by increased ethanol use. On balance, ethanol costs the federal government a fraction of the price of using oil in terms of federal subsidies.

*“Ethanol has mixed environmental results ...”*

Ethanol dilutes toxics, reduces sulfur content, and minimizes the need for highly carcinogenic octane boosters such as aromatics, benzene, toluene and xylene. It increases combustion efficiency in the dirtiest vehicles, which produce more than half of all vehicular emissions. And according to recent vehicle tests in California, ethanol also reduces emissions in latest technology vehicles in comparison to non-oxygenated fuels.<sup>1</sup>

*“The “safe harbor” measure warrants a vote against the provision ...”*

The American Petroleum Institute (API), not the ethanol industry, insisted on liability protection. Lawmakers should stand up to API and strike this provision in conference.

*“An Ethanol Mandate Will Strain Fuel Supplies ...”*

Just the opposite is true. When MTBE is eliminated, there will be a volume and octane void (roughly 4% of the national gasoline pool) that must be filled. Without the RFS, the oil industry will try to replace MTBE using petroleum-based products to avoid losing market share. If the oil industry falls short, higher pump prices will be blamed on the MTBE phaseout. An RFS, on the other hand, requires the oil industry to utilize renewable fuel as a partial fix, in effect spreading out the burden of replacing MTBE on many more producers and industries. It compels greater competition and price stabilization among those that are responsible for replacing MTBE.

*“Ethanol is Not a Renewable Fuel ...”*

Credible and independent studies from the Department of Energy’s Argonne National Laboratory, the U.S. Department of Agriculture, and Michigan State University confirm that ethanol is a renewable resource with a net energy benefit in comparison to gasoline ranging from 27-58%. The Cornell University study that challenges the renewable nature of ethanol assigns no energy value to ethanol co-products and uses outdated data to estimate the energy costs of inputs such as fertilizers and irrigation.

*“The Greenhouse Gas Benefits of Blending Ethanol are Minimal ...”*

According to the Argonne National Laboratory, for every gallon of petroleum replaced by corn ethanol, greenhouse gas emissions are reduced by 35 percent. For every gallon of gasoline replaced by biomass ethanol, the greenhouse gas reduction potential is greater than 100 percent with the co-production of electricity.

*“The ethanol mandate benefits corporate producers, not farmers ...”*

Nine out of ten new ethanol facilities are farmer-owned cooperatives. While the ethanol mandate benefits both corporate and small producers, states are free to meet their respective ethanol requirements using whichever strategy they prefer, including providing extra incentives for small producers and biomass ethanol production. Opposition to the RFS benefits primarily the six multi-national oil giants that dominate the liquid fuels industry.

**Prepared by the Renewable Energy Action Project (REAP), and endorsed by its members:**

Climate Solutions, Bluewater Network, Environmental & Energy Study Institute, Californians Against Waste, Oregon Environmental Council, Brower Fund, SEED Coalition, Central Sierra Environmental Resource Center, Kinergy Resources, West Coast People's Energy Co-op, Institute for Local Self-Reliance, Institute for Agriculture & Trade Policy, California Renewable Fuels Partnership, Masada Resource Group, Blue Skies Alliance, General Biomass Company, Ohio Biomass Energy Program, California Farmers Union, The Minnesota Project, Plumas Corporation, Oceanic Resource Foundation, County of Ventura Public Works Department, Tides Foundation, Illinois Student Environmental Network, Waterkeeper Alliance, Save Our Shores, International Marine Mammal Project, Greenpeace Clean Energy Now Campaign, Kettle Range Conservation Group, Cook Inlet Keeper, New River Foundation, Earth Island Journal, Waste Action Project, Pacific Biodiversity Institute, Mangrove Action Project, Citizens Committee to Complete the Refuge, Northwoods Conservation Association

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<sup>1</sup> <http://www.arb.ca.gov/cbg/meeting/2001/071201AAPrtn.pdf>