The Daily Dish

Another Costly Expansion of the RFS

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In the most recent edition of the Week in Regulation, Dan Goldbeck notes that "the most consequential rulemaking of the week was the EPA rule on 'Renewable Fuel Standard (RFS) Program: Standards for 2026 and 2027, Partial Waiver of 2025 Cellulosic Biofuel Volume Requirement, and Other Changes.'" He then elaborates:

> *The main quantifiable effect of RFS rules comes in essentially mandating the consumption of more expensive renewable fuels over fossil fuels that consumers would otherwise purchase in the absence of such a regulatory framework. The last round before this one, under the Biden Administration, brought $23 billion in total increased fuel costs. This latest set of standards, however, blows right past that with more than $38 billion in total increased costs.*

So, in the middle of a deregulatory push, the Trump Administration is doubling down on a costly mandate. What is the point?

Recall that the RFS was created in the 2005 Energy Policy Act and expanded in the Energy Independence and Security Act of 2007. The basic idea was to require that ethanol and other biofuels be blended with gasoline to reduce oil imports. Those were the bad old days of dependence on foreign sources of oil, but that rationale has disappeared due to the vast expansion of domestic production. The RFS no longer makes sense as an energy security policy.

Over time, the RFS was expanded to have an environmental focus, with an aim of reducing greenhouse gas emissions from vehicles. Unfortunately, researchers have questioned whether ethanol is at all cleaner than petroleum fuels once you take into account the entire lifecycle of air pollution for producing corn-based ethanol. Also the RFS was supposed to spawn innovation, especially in the form of cellulosic ethanol and other advanced

renewables. That never came to fruition.

This string of policy failures is well-recognized. In 2014, then-AAF energy expert Catrina Rorke noted, “The EPA’s RFS program is in shambles, creating uncertainty in the marketplace for producers and blenders, complicating compliance schedules, and opening the possibility for blend levels that can damage older vehicles.”

Her successor, Philip Rossetti, noted “The EPA’s finalized RFS once again failed to meet legally mandated targets, and also came nearly two years late.… The future of the RFS may have to wait until the next administration enters office, keeping market participants on edge until 2017. The EPA needs more transparency, efficiency, and consistency in its rulemaking to avoid further problems with this costly regulation.”

Nevertheless, the RFS remains and even expands. It is maddening but understandable. The reason is farmers. Farmers are perennially popular and recently have been hammered by President Trump’s tariff and trade policies. In a more rational world the United States would pitch the RFS in the trash bin and develop an effective and sustainable agriculture policy. This is not that world.