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Hinkle: Pop quiz: Which policy is worse?

A. Barton Hinkle

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If you are like most people, you probably spend a lot of time wondering, "What is the absolutely worst environmental policy on the planet?" And if you are like most people, you probably think it is America's ethanol policy. So Virginia's recent decision to subsidize what will be the largest ethanol plant on the East Coast might strike you as doubling down on the dubious.

Don't be too hasty. We have some competition.

True, America's policy of blending corn-based ethanol into gasoline is unbelievably awful. For decades, Congress lavished billions of dollars on fuel producers to encourage the practice. As a result, almost half the U.S. corn crop gets pumped into gasoline tanks. Owing in no small part to that, corn prices more than doubled from 2006 to 2011. This raised the price of food both for people and for animals that people eat, such as farm-raised pigs. As a result, notes Bloomberg Businessweek, "ethanol mandates have acted as an efficient way to funnel cash from the world's disadvantaged to its agro industry conglomerates."

So the mandate is bad for poor people. But at least it raises gasoline prices! For one thing, ethanol costs more to produce than gasoline. And when Washington replaced ethanol subsidies with a renewable-fuel standard, it set increasingly high—and increasingly unrealistic—targets for the amount of ethanol to be blended with gasoline. Since there is not enough ethanol to go around, some gasoline producers have to buy ethanol credits known as renewable identification numbers (RINs). The trading of RINs has driven their price sharply higher, which has raised prices at the pump.

(Bonus point: Federal rules are driving refiners up against a "blend wall"—the point at which the ethanol content in gasoline exceeds 10 percent. Using more than a 10 percent ethanol blend voids many car warranties.)

But ethanol is helping to stave off global warming, right? Wrong. Corn needs farming, and farming needs fertilizers and tractors and hauling and so on. In some cases ethanol production requires more energy than the fuel delivers to your engine. Analyses differ, but by some

estimates ethanol actually raises carbon-dioxide emissions from the tailpipe 12 percent over non-ethanol blends. (Even the federal government—which imposes the mandate—concedes "the ethanol program has little effect on the environment.")

Ethanol is therefore one of the few subjects on which all corners of the ideological map agree. U.S. ethanol mandates are "catastrophically idiotic" (*Mother Jones*); "costly and unnecessary" (the Heritage Foundation); and "blatant corporate welfare" (the Cato Institute). Aside from that, they're great.

So naturally, last week Virginia Gov. Terry McAuliffe boasted that he had played "a significant role" in using state subsidies to revive a defunct ethanol plant in Hopewell, south of Richmond. Osage Bio Energy built the \$200 million facility a few years ago in the hope of raking in federal incentives for turning barley into gas. That didn't pan out, and the plant never even lit the boilers. Last year Vireol, a British firm, bought the plant, intending to disassemble it and ship it overseas.

But thanks to Riley Ingram, Hopewell's representative in Virginia's House of Delegates, the company is going to stay. He sponsored legislation ensuring that for the next three years it will get up to \$1.5 million in state support to produce about 170 million gallons of ethanol. The company also will get a \$250,000 state development grant, matching tax breaks from Hopewell, employee training incentives, and Enterprise Zone incentives. This is supposed to create jobs—if you don't count the jobs that would otherwise be created if not for the economic inefficiency of all that government meddling.

Upshot? Virginia taxpayers will shell out millions to help make food and gasoline more expensive while making global warming worse. 'Twas a famous victory.

It's hard to find a policy that makes less sense—but London's *Daily Mail* has done so. According to a story it ran in March, vast swaths of North Carolina forest are being clear-cut to make wood pellets for use in Britain, which is supposed to almost triple its renewable-energy use in the next six years. Subjects of the British crown are paying hefty subsidies to underwrite the cost of shipping a million metric tons of wood pellets a year 3,800 miles across the ocean—the ships leave from Virginia ports—so they can be burned at the Drax power station in Yorkshire.

If you think that sounds incredibly inefficient, you're right. It actually generates 20 percent more carbon dioxide than burning coal would—and twice as much as burning natural gas would. Meanwhile, the trees being mowed down to feed the insatiable Drax maw will take about a century to regrow. But since they do regrow, that technically makes wood pellets a "renewable" resource. (By that logic, so is coal.)

For this, British taxpayers shelled out more than 62 million pounds—about \$100 million—in green-energy subsidies last year. Britain's government also is going to make them pay 105 pounds (\$176) per megawatt-hour for this "green" energy, which is seven times what they'll pay for nuclear energy, which really does help reduce global warming.

Nigel Burdett, Drax's environmental manager, explains why this is happening: "Our whole business case is built on [the] subsidy, like the rest of the renewable energy industry," he told the

Daily Mail. "We develop our business plan in light of what the government wants—not what might be nice."

So back to the question at the start of this column: Which policy is worse? To answer that one, the judges might need to go to the videotape.

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