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## Everyone Hates Ethanol Subsidies. Why Can't We Get Rid of Them?

Peter Suderman | December 10, 2010

As CEI's Brian McGraw points out, ethanol subsidies are opposed by just about everyone: researchers, environmental activists, free market wonks, and newspaper editorial writers across the ideological spectrum. Even Al Gore has come out against them.

I say "just about" everyone because of course the ethanol lobby and the farmers it serves still favor keeping the subsidies in place.

Naturally, the current plan is to extend them for another year.

Sam Batkins and Douglas Holtz-Eakin of the American Action Forum do a nice job of explaining why subsidizing ethanol is such a terrible policy:

Ethanol is showered with more presents and protectionism than a newborn baby.

Under current law, ethanol receives a 45 cent-per gallon subsidy for blending into gasoline. At roughly \$7 billion a year, that might seem like enough support for a 30 year-old industry. However, agribusiness and farm belt senators disagree.

Congress has mandated that motorists use 7.5 billion gallons of renewable fuels (read ethanol) by 2012. Not to be outdone, agribusiness was able to increase this to a staggering 36 billion gallons by 2022. Finally, for good measure, Congress also enacted a 54-cent tariff on imported ethanol. Subsidies, mandates, and tariffs; this must stop.

Ethanol corrodes engines, reduces miles per gallon (MPG) performance, and has a terrible environmental record. No wonder Al Gore, a previous supporter, has stated, "[E]thanol, I think, was a mistake." As for current Secretary of Energy and Nobel Prize recipient Steven Chu: "Ethanol is not an ideal transportation fuel." To an extent,

even the EPA agrees.

In trying to comply with Congress's ethanol mandate, the EPA is charged with increasing the amount of blended ethanol. Unfortunately for motorists, ethanol can corrode engine parts and damage catalytic converters.

In November the EPA proposed a prohibition of E15 (fuel blended with 15 percent ethanol and 85 percent gasoline) for Model Year (MY) 2000 and older vehicles because of likely engine damage. Similar concerns have forced the EPA to delay implementation of E15 for MY 2001-2006 vehicles, and even some newer vehicle manuals warn that the use of E15 can void warranties. Congress might love ethanol, but ethanol hates your car.

Ethanol also wants you to make more trips to the pump. It is widely accepted, even by the federal government, that ethanol contains less energy content per gallon than gasoline. Owner's manuals note this and [fueleconomy.gov](http://fueleconomy.gov) states that E10 can reduce MPG by 3-4 percent, while E85 reduces fuel performance by 25-30 percent. Ironically, the Administration has mandated that MPG performance increase 57.7 percent over the next five years, allowing for healthy competition between dueling federal mandates.

Sadly, policy isn't really the problem here. Instead, ethanol subsidies live on because corn-state legislators like Chuck Grassley [defend them to the hilt](#). It's a purely political calculation (presumably Grassley is correct in assuming that the support he retains from defending the subsidies is greater than the support he'd get from opposing them). And so even though policy wonks and activists left, right, and center oppose the subsidies, they've so far proven effectively impossible to end.

More from *Reason* on ethanol subsidies [here](#) and [here](#).