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Why the RFS is bad for consumers and bad for the environment

Good morning, and thank you for the opportunity to share the views of the R Street Institute with you this morning. The R Street Institute is a pragmatic, free-market think tank headquartered in Washington and with regional offices across the country. Since our founding in June 2012, we've worked to advance market-based solutions to our nation's most pressing policy challenges, including those facing our energy economy.

We at R Street are unique among our cohort of center-right think tanks in our willingness to be aggressive in finding solutions to address the challenge of climate change. We've advocated for a revenue-neutral carbon tax, rather than burdensome command-and-control regulations, and we've worked tirelessly to end profligate government spending that also harms the environment and worsens the downsides of a changing climate.

However, our desire to see smart policy solutions that reduce greenhouse gas emissions does not translate into support for the renewable fuel standard. Since its inception, the RFS has served as a market-distorting, overly bureaucratic solution with disastrous unintended consequences, both for the economy and, sadly, for the very environment it was meant to protect. The RFS serves as a classic example of the government picking winners and losers, with powerful agricultural lobbies winning at the expense of refiners, livestock producers and consumers.

RFS mandates have shifted U.S. crop production away from food products like edible corn and soybeans and toward the type of corn used to produce ethanol. This shift increases costs across the board, and has disastrous impacts well beyond our borders. In addition to higher costs, RFS encourages overplanting, converting sensitive wetlands and prairies to corn production and polluting our air and waterways. In the end, the destruction and extra emissions created by RFS well outweigh the environmental benefits the policy seeks to create.

While we are heartened to see that the proposed 2019 RFS does not harmfully raise the volume requirements, we feel it is imperative to point out the misguided nature of the standard to begin with. The overly bureaucratic RFS boxes the Environmental Protection Agency—and, in the process, millions of American consumers—into a path that is impossible to ground in reality. As a recent decision by the U.S. Court of Appeals for the D.C. Circuit found, the EPA isn't even permitted to try to align fuel volumes with actual demand by waiving certain ethanol

blending requirements. Oil companies are instead forced to create a product that consumers don't want because of out-of-touch guidelines written into the law.

Rather than continue down this failed path, we at R Street encourage the EPA to work with Congress to pass reforms that work. The federal government does have a role to play in creating an environment in which new fuels and technologies can take root in the marketplace and, in the process, reduce emissions and preserve the environment for generations of citizens to come. Sadly, the RFS does not fit the bill, and the new EPA should seek better solutions.