

AYC Ecology North

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Tax-fueled tanks

Congress finally is starting to recognize the high cost of filling up gas tanks with ethanol, the motor fuel made from corn. Billions of dollars in federal subsidies are on the chopping block.

It's about time. With the national debt soaring, the government needs to wean the biofuel industry from its dependence on federal subsidies. Biofuels have always sounded better during the Iowa caucuses than they have performed in reality.

Taxpayers have bankrolled biofuel research and a boom in ethanol production. Aggressive mandates have hiked the amounts of ethanol blended into the gasoline supply, and the industry is pushing for even higher levels of the corn-based fuel in each gallon. At the same time, trade barriers have kept out cheaper ethanol produced from sugar in Brazil and other countries.

Those heavy-handed government policies were intended to develop a big new domestic industry that would reduce American dependence on oil, improve the environment and bring jobs to rural communities. The goals are worthy, but for all the expensive coddling, American taxpayers have little to show for their money. With the economy down and government spending up, some key Democrats are finding it impossible to make the case for the whopping subsidies. It's time to eliminate the tax credit. And Congress needs to lift the protectionistic barriers so ethanol brewers from foreign sugar can compete.

When it comes to ethanol, heavy subsidies and protectionism have proved to be a bad mix.

\$1.78

Amount, per gallon, provided by taxpayers in biofuel subsidies when corn is used.

\$3.00

Amount, per gallon, provided by taxpayers in biofuel subsidies when cellulose is used.

Source: Congressional Budget Office

NOTE: Subsidy includes tax credits for the petroleum blenders, plus lost revenues from excise taxes that otherwise would be collected.

Ed's notes:

This article was found in the Cleveland Plain Dealer, where it was acknowledged as being an excerpt from an editorial in the Chicago Tribune.

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