Press Release

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SCHAKOWSKY SAYS LIMITING CLEAN AIR FUELS COULD RAISE GASOLINE PRICES

Opposes attacks on biofuels and ethanol

WASHINGTON, DC - U.S. Representative Jan Schakowsky today criticized legislation that would limit the amount of clean air fuel blends states can produce in a hearing before the Energy and Commerce Committee. Schakowsky called the legislation premature, because it limits clean air fuel blends even though the EPA recently limited that number to seven nationwide and a bipartisan coalition of governors is in the process of developing recommendations about how to regulate fuel blends. Furthermore, Schakowsky said that the legislation before the Committee could actually raise gasoline prices and limit supply.

Representative Schakowsky's opening statement is below:

Mr. Chairman, as American consumers suffer pain at the pump, this Committee is again headed down the wrong track. This legislation is a poor answer to a problem that may not exist. It could prevent states from finding cheap and readily available means of meeting clean air standards, and actually raise gasoline prices.

In his testimony before the Committee on May 10, EIA Deputy Administrator Gruenspecht said that limiting boutique fuels could raise gasoline prices. The EIA predicted that the Energy Policy Act would raise gas prices, and it did, over last year's record prices. My constituents, who are paying an average of $2.96 for a gallon of regular gasoline, will be outraged to learn that instead of limiting profits and bringing down prices, we are considering legislation that could raise the price of gasoline.

Handcuffing the ability of states and localities to develop clean fuels in the cheapest possible way, using local resources, is not sound or sensible policy. EPACT limited the number of boutique fuels to seven. This legislation prohibits states from developing their own clean air fuels, instead limiting their choice to one of two options authorized by the EPA. Allowing states to develop their own clean air fuels in order to meet federal standards has led to a negligible price increase, on average between 0.3 and 3 cents per gallon. Forcing states to produce a nationally mandated fuel blend or to import that blend from another state could lead gasoline prices to increase significantly.

The legislation also gives the EPA new authority to grant a fuel waiver in the event of "unexpected problems with distribution or delivery equipment that is necessary for transportation and delivery of fuel or fuel additives." Since EPACT already granted a fuel waiver that dealt with natural disasters, this new waiver authority could allow the Administration to limit the supply and distribution of clean fuels and biofuels for much lesser reasons.

This legislation, flawed in its content, is also premature. After dragging its feet to take action since EPACT became law last August, the Bush Administration has recently begun to enact EPACT by directing the EPA to develop an approved list of boutique fuel types and convened a Boutique Fuel Task Force led by a bi-partisan coalition of governors. We are now considering legislation that would further limit boutique fuels both before the task force has issued its recommendations and before we have seen the effects of limiting boutique fuels to seven.

In their written testimony, our witnesses from the National Petroleum and Refiners Association and the American Petroleum Institute encourage the Committee to consider limiting state biofuel mandates. Let's be clear: biofuels such as ethanol are not boutique fuels, and they are not responsible for rising gas prices. Biofuels like ethanol actually increase supply, and if we invest in a sufficient supply network, their proliferation could bring gasoline prices down and keep our air clean. The use of ethanol expands our gasoline supply by increasing the volumes of finished product, typically by about 10 percent. According to the Department of Agriculture, ethanol also increases efficiency. For every unit of energy that goes into growing corn and turning it into ethanol, we get back about one-third more energy as automotive fuel.

In his testimony, Dr. Murphy of the American Petroleum Institute says "integrating ethanol and other biofuels into the gasoline marketplace is too important . . . to be approached in an individual, state-by-state manner." I plan to ask Dr. Murphy if he would then support a stronger, federal biofuel mandates that would promote clean air and reduce gasoline prices. I don't think so.

This legislation will not bring down gasoline prices. We have seen no economic analysis demonstrating fewer boutique fuels would mean lower prices, and no industry representative has said that they would lower prices if we passed this bill. This legislation could also produce a roadblock to keeping our air clean and reducing our oil demand. We must get our arms around the problem before proposing a solution. I look forward to continuing to work with all of the stakeholders - including governors - to determine whether further federal legislation is necessary to prescribe how states develop clean air fuels.