



## ***Supporting rural economic opportunities in the Northwest through clean energy development***

### **Renewable Fuels Standard Myth Buster**

*For more information, contact Robert Russell at (360) 258-9246*

During debate and discussion about Oregon's biofuels legislation, there have been many misunderstandings and misstatements about a Renewable Fuels Standard. In an effort to clarify matters, Climate Solutions' Harvesting Clean Energy program offers the following information to show that ***a Renewable Fuels Standard will help develop an effective, competitive market for biofuels that will benefit both Oregon farmers and consumers.***

#### **MYTH #1: If renewable fuels were economical, oil companies would already offer biofuels at local gas stations.**

***Response: Biofuels are cheaper today than they have ever been, but oil companies make more money on imported oil. A Renewable Fuels Standard would create a freer and more competitive market, resulting in lower prices for consumers.***

According to the Consumer Federation of America, the price of ethanol is currently around \$1.20 per gallon, yet major oil companies refuse to increase ethanol blending. Thirteen oil companies control 84% of the fuel processed at U.S. refineries. This concentration of ownership reduces competition and results in ever-increasing prices – as long as substitutes such as biofuels are kept out of the market.

Oil companies will resist this substitution as long as they are allowed to limit competition and keep non-renewable fuel prices high. A Renewable Fuels Standard would allow biofuels to substitute for fossil fuels and offer consumers more choices. More options for consumers mean greater competition and lower prices.

#### **MYTH #2: A Renewable Fuels Standard is a government mandate.**

***Response: A Renewable Fuels Standard is a critical "market-making" rule for the development of an efficient vehicle fuel market.***

All free markets require rules to operate. In order to allocate resources efficiently, free markets rely on equitably shared information and consistent product quality. Since biofuels are an emerging industry in Oregon, it is essential that buyers and sellers have common and consistent expectations so that they can trade in an efficient marketplace.

A Renewable Fuels Standard would establish the basic parameters of the markets so that growers and processors can compete fairly to meet the needs of consumers at a fair price. Oregon's current retail fuel market is controlled by fuel-importing companies that do not allow free competition or fair prices. Without a Renewable Fuels Standard, the state's retail fuel market cannot offer reliable access to fuel at a fair price.



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#### **MYTH #3: Biofuels cannot be used in most automobile engines.**

***Response: Biofuels are already in use across the United States – 30% of all gasoline in the United States is blended with ethanol.***

The states of Minnesota, Montana and Hawaii have Renewable Fuels Standards that encourage their farmers to grow fuel crops and allow their consumers access to biofuels at the gas pump. All fuel in Minnesota has been blended with 10% ethanol for a decade, and recently the Minnesota Legislature expanded the ethanol standard to 20%. Obviously, if biofuels blending had caused real problems for engines, the Legislature would not have expanded the Renewable Fuels Standard.

#### **MYTH #4: Use of biofuels will void automobile engine warranties.**

***Response: No automobile warranty is voided by the use of a biofuel that meets ASTM certification. These warranties apply only to mechanical and electrical components of the engine itself.***

Recently, the Oregon legislature heard claims that Volkswagen warranties will be voided by the use of biofuels. To the contrary, on March 17, 2005 this manufacturer encouraged the use of ASTM-certified biodiesel in its automobiles. Volkswagen's current position can be found at: [www.vw.com/contactus/faqs.html#5.1](http://www.vw.com/contactus/faqs.html#5.1). Other manufacturers have begun to encourage the use of biofuels as well. John Deere and Jeep are two manufacturers that fill their vehicles with a biodiesel blend prior to shipment to their dealers.

Automotive manufacturers are also supporting ethanol. In May 2004, Top Tier Detergent Gasoline was introduced by General Motors, BMW, Honda and Toyota to protect engine performance. Developed to "help drivers avoid lower quality gasoline which can leave deposits on critical engine parts," this new fuel specification calls for 8-10% ethanol.

#### **MYTH #5: Oregon agriculture does not support a Renewable Fuels Standard.**

***Response: The Oregon Farm Bureau has a policy supporting a Renewable Fuels Standard.***

In addition to the Oregon Farm Bureau, numerous growers in all regions of the state have begun to explore fuel crops as a way to diversify their operations. A Renewable Fuels Standard would help turn these explorations into an opportunity to keep Oregon agriculture viable.