OPENING STATEMENT
The Honorable Andy Harris (R-MD), Chairman
Subcommittee on Energy and Environment
Conflicts and Unintended Consequences of Motor Fuel Standards

November 2, 2011

I want to welcome everyone to this afternoon's hearing on Conflicts and Unintended Consequences of Motor Fuel Standards.

I'd like to note a couple of things at the outset. First, this hearing is not an attack on biofuels. It is about understanding the inter-relation of the complex web of government fuel mandates, and the economic and environmental consequences that result from them. Second, many of the conflicts highlighted today emanate from a single policy passed by Congress in 2007—a law expanding the Renewable Fuel Standard to mandate consumption of 36 billion gallons of biofuels by 2022. Collectively, these issues make one essential principle abundantly clear: whether through government handouts, as in the case of Solyndra, or through heavy-handed fuel mandates, as in the case of the RFS, the picking of energy winners and losers by government fiat is an exercise in futility destined to fail miserably.

In the last eight months, this Committee has held numerous hearings illustrating EPA's penchant for pursuing outcome-based science. In all the program areas we have examined, the Agency continuously fails to do its homework before rushing into a regulatory judgment. Furthermore, much of the science supported and used as the basis for new regulations is done behind a veil of secrecy, contravening this Administration's promises of transparency.

Consider just a few examples. EPA is undertaking a Tier 3 rulemaking later this year despite not having completed the statutorily required anti-backsliding analysis due in mid-2009. EPA granted a waiver to allow 15 percent ethanol in our fuel based on a single set of test results that are still not complete – and only made public the night before the waiver was granted – ignoring several other relevant test programs. And the Inspector General of EPA recently found that the Administrator's endangerment finding on greenhouse gas emissions failed basic peer review requirements.

EPA's upcoming "Tier 3" rulemaking is a perfect case study in regulatory folly. The three major elements of EPA's approach are all being driven by the excesses of past regulatory decisions including the RFS, not by any organic standard emanating from the Clean Air Act.

First, there have been reports that the rule will include the first-ever particulate matter standards for vehicle tailpipes as the result of automakers increasingly shifting to direct fuel-injection systems—itself a trend that is growing in order to comply with EPA's greenhouse gas emission standards. Second, EPA will also seek to tighten sulfur and volatility limits for fuels to offset increases in air pollutants resulting from EPA's Renewable Fuels Standard. Finally, EPA is also proposing to change its gasoline test fuel from E0 to E15 in order to accommodate increasing amounts of ethanol in our fuel system.

The volumes of biofuels mandated by the RFS were the driving force behind EPA's decision to permit mid-level ethanol blends, and we are seeing similar engine compatibility, liability, and infrastructure issues with higher blends of biodiesel. A study sponsored by the National Renewable Energy Laboratory and released two weeks ago raises even more red flags about the deployment of E15. It showed significant damage to marine engines, a problem unlikely to be mitigated by EPA's watered-down misfueling label.

Similarly, we will also be discussing a recently-released report from the National Research Council on the economic and environmental impacts from U.S. biofuel policy. In addition to finding that RFS-mandated levels of cellulosic ethanol are unlikely to be met, the report also predicted a variety of air, water, and soil quality impacts from increased biofuel production. The study also concluded that the RFS is an ineffective policy for greenhouse gas emission reductions, one of the key motives behind the expanded mandate.

Regulations and standards that create environmental problems that engender these secondary, "do-over" regulations need to be rethought. We need to start thinking about the real objectives these standards are attempting to achieve. Is the goal reduced fossil fuels, low carbon fuels, low sulfur fuels, or reduced imported fuels? What are the real benefits realized with these standards, and at what cost? Are we creating an environment that encourages job growth or are we adding regulatory burdens that will cost more jobs?

As we have seen with regulatory approaches in the past, government intervention more often than not results in significant unintended consequences for the economy and the environment. Some, not all, of these consequences can be avoided with a little forethought and good scientific investigation. I hope the discussion today will help illuminate those areas where additional consideration is warranted and what objectives we are truly trying to accomplish with current U.S. fuels policy.