



MANHATTAN INSTITUTE FOR POLICY RESEARCH

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New Issue Brief

Corn Ethanol Has Not Cut U.S. Oil Imports Despite Billions in Subsidies

New York, NY: Has corn ethanol really cut America's oil imports? Manhattan Institute senior fellow Robert Bryce says "No" in a new report released today, "Despite Billions in Subsidies, Corn Ethanol Has Not Cut U.S. Oil Imports."

Corn ethanol advocates claim that ethanol reduces America's oil imports and increases its energy security. In the forthcoming weeks, the EPA is expected to rule on a proposal to increase the amount of ethanol that may be blended into gasoline from 10 percent to 15 percent. Bryce argues that the U.S. needs to recognize the false promises of corn ethanol.

Did you know . . . ?

- Ethanol producers are wholly dependent on the gasoline market because they must blend their product with conventional fuel
- Tax subsidies designed to promote corn ethanol production are larger than those offered to producers of other forms of renewable energy
- In July, the Congressional Budget Office reported that corn ethanol subsidies cost U.S. taxpayers more than \$7 billion per year
- The prospect of increased ethanol blend rates has drawn heavy opposition from numerous environmental and industry groups

Why Ethanol Does Not Cut Oil Imports:

- When sent through the refinery, a barrel of crude yields different "cuts" and certain types of crude oil are better suited than others to gasoline or diesel production
- Even the most technologically advanced oil refineries cannot produce just one product from a barrel of crude; they must produce several, and the market value of those various cuts is constantly fluctuating
- Corn ethanol has not reduced the volume of oil imports, or overall oil use, and likely never will, because it can replace only one "cut" of the crude-oil barrel
- Unless inventors come up with a substance that can replace all of the products refined from a barrel of crude oil, countries will have to continue to rely on the global oil market

Bryce argues that the corn ethanol industry is producing the wrong type of fuel at the wrong time. Increasing the blend rate may rescue the ethanol industry, but it will not cut oil imports.

The brief is available at http://www.manhattan-institute.org/html/ib_07.htm. If you would like to schedule an interview with Robert Bryce, please contact Clarice Z. Smith at 646-839-3318 or by email at csmith@manhattan-institute.org.

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