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Biofuels Infrastructure Subsidies: A Decade of Waste

Since 2011, the biofuels industry has received...

\$178 million in biofuels infrastructure subsidies for ethanol blender pumps and more

\$125 million in additional biofuels infrastructure subsidies still on their way out the door

Plus

Eligibility for the Alternative Fuel Vehicle Refueling Property tax credit, worth an estimated \$331 million, just from 2018-2020

Through

3

different U.S. Dept. of Agriculture (USDA) programs

& \$700M

in COVID-19 relief, not to mention other special interest supports

Plus, Congress provided more biofuels infrastructure subsidies

Worth

\$500

million through the FY22 reconciliation package, the Inflation Reduction Act (IRA)

Even though the industry has received

43

years of government support, through consumption mandates, subsidies, tax breaks, loan guarantees, and more

Biofuel Infrastructure Subsidies Span a Full Decade

The federal government has subsidized the U.S. biofuels industry – primarily the corn ethanol and soy biodiesel industries - for decades. Over the last 40 years, tens of billions of taxpayer dollars have been wasted on these mature industries. After the elimination of the ethanol tax credit in 2011, the industry shifted gears in an effort to continue the flow of government subsidies from taxpayers to the first-generation biofuels industry.

The U.S. Department of Agriculture (USDA) began subsidizing biofuels infrastructure projects through the [Rural Energy for America Program](#) (REAP) in 2011. Congress never authorized this practice, however. Since ethanol is more corrosive than gasoline, it requires specialized pumps to dispense the fuel, which is primarily derived from corn. USDA spent more than \$3 million unilaterally on ethanol blender pump and other biofuels infrastructure projects from 2011-2014. Congress placed a prohibition on this practice in the 2014 farm bill.

Instead of heeding Congressional intent and ending subsidies for first-generation biofuels that had already received decades of taxpayer support, beginning in 2015, USDA created another biofuel infrastructure program out of thin air, this time through the Commodity Credit Corporation (CCC). The CCC is a fund that is normally used to dispense farm subsidy payments. In 2015, \$100 million was announced for the Biofuel Infrastructure Partnership (BIP) program. In 2020, another \$100 million was announced for a different, but similar, program entitled the Higher Blends Infrastructure Incentive Program (HBIIIP). Then again in 2022, USDA announced yet another \$100 million for biofuels infrastructure projects, for a grand total of \$303 million in taxpayer subsidies.

In 2015, TCS awarded USDA Secretary Vilsack the [Golden Fleece award](#) for spending taxpayer dollars on wasteful ethanol blender pump projects, a practice that Congress prohibited just a year earlier. As of 2022, federal subsidies continue to flow.

Biofuels infrastructure subsidies are duplicative of other federal supports, including a federal tax break for the installation of specialized biodiesel and ethanol pumps at gasoline stations, not to mention the biofuel industry's long list of other taxpayer supports. This includes a federal biofuel consumption mandate entitled the [Renewable Fuel Standard](#) (RFS), tax credits for [biodiesel](#) and other biofuels production, other [farm bill](#) and [bioenergy](#) subsidies, loan guarantees, and more.

To add salt to the wound, the [Inflation Reduction Act](#) of 2022 (IRA) added another \$500 million in duplicative subsidies for biofuel infrastructure projects, in the form of [grants](#) "to increase the sale and use of agricultural commodity-based fuels through infrastructure improvements for blending, storing, supplying, or distributing biofuels..." Adding these new subsidies to already-announced USDA biofuels infrastructure programs brings the grand total of federal supports for these projects to \$803 million, again, not counting federal tax breaks or other subsidies.

Climate, Fuel/Food Cost, and Other Impacts

While biofuels infrastructure subsidies were once sold as a solution to help spur the consumption of next-generation, advanced biofuels derived from non-food feedstocks such as perennial grasses and agricultural residues, taxpayer subsidies have instead been used to prop up distribution and sales of first-generation, food-based biofuels derived from corn and soybean crops. New ethanol blender pumps, for instance, dispense higher blends of ethanol such as 15 and 85 percent ethanol ([E15](#) and E85, respectively). Most US gasoline sold today is a

blend of 10 percent ethanol and 90 percent gasoline, known as E10. Shifting to more consumption of higher ethanol blends – through the installation of new fuel pumps – in addition to continued federal subsidies for first-generation biofuels has resulted in market distortions, higher fuel and food costs, and other long-term liabilities for both consumers and taxpayers.

Biofuels were also originally sold as a way to achieve energy independence and significantly reduce greenhouse gas (GHG) emissions. However, the primary biofuels produced in the US to date - corn ethanol and soy biodiesel - have failed to meet these goals. Decades of taxpayer subsidies for these fuels have also failed to build a bridge to “better” biofuels, or advanced biofuels derived from non-food crops.

Now more than ever, the expansion of food-based biofuels subsidies – particularly those derived from corn and soybeans - is not only a waste of taxpayer dollars but is also a failed climate solution.

Federal Programs Subsidizing Biofuels Infrastructure Projects

Table 1: Biofuel Infrastructure Subsidies in USDA Programs, 2011-2022				
Bill Section	Program/fund name	Description	Biofuels infrastructure projects receiving taxpayer subsidies	Spending on biofuels infrastructure projects, 2011-22
Farm Bill Energy Title	Rural Energy for America Program (REAP)	Intended to rural renewable energy projects such as wind and solar but has also subsidized ethanol and biodiesel projects	From 2011-2014, USDA allowed REAP subsidies to be spent on ethanol blender pumps and other special biofuel fueling infrastructure.	\$3.24 million spent on biofuels infrastructure projects and ethanol blender pumps
Farm Bill Commodity Title	Commodity Credit Corporation (CCC) (* however, note that Congress did <i>not</i> authorize USDA to use CCC funds for biofuels infrastructure projects)	Traditionally a fund used to dispense farm subsidies, but USDA has also used CCC funds to subsidize biofuels infrastructure projects (and as of 2022, continues to do so)	In May 2015, USDA announced CCC funding for biofuels infrastructure, which primarily benefits corn ethanol, through BIP. In 2020, another \$100 million was announced through a similar biofuels infrastructure subsidy program – HBIIIP, with an additional \$100 million announced in 2022.	\$100 million allocated in 2015 (BIP), with another \$200 million announced in 2020 and 2022 (for HBIIIP), with spending still going out the door
Inflation Reduction Act, Section 22003	Funded through FY22 budget reconciliation bill, a new program entitled Biofuel Infrastructure and Agriculture Product Market Expansion	Grants “to increase the sale and use of agricultural commodity-based fuels through infrastructure improvements...”	As of August 2022, spending has not been dispensed.	\$500 million available for FY22 through FY31