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Biofuel Infrastructure Subsidies: Costing Taxpayers Billions

The biofuels industry has received nearly **50 years of government support** through consumption mandates, subsidies, tax credits, loan guarantees, and more

Since 2011, taxpayers have spent **\$805 million** on subsidies for blender pumps through 4 different U.S. Department of Agriculture (USDA) programs



Only **\$500 million** of this spending was authorized by Congress, with the other **\$305 million** spent unilaterally by USDA through the Commodity Credit Corporation (CCC) and Rural Energy for America Program (REAP)



Industry has also received eligibility for the Alternative Fuel Vehicle Refueling Property Credit through June 30, 2026, worth **more than \$100 million per year**, not to mention COVID-19 relief and other special interest supports



The federal government has subsidized the U.S. biofuels industry—primarily corn ethanol and soy biodiesel—for decades. Over the last 50 years, tens of billions of taxpayer dollars have been wasted on these mature industries, including through federal grants and tax credits for biofuels infrastructure.

Biofuel is an energy source derived from biological raw materials. Most U.S. biofuels are made from corn starch (ethanol) or soybean oil (biodiesel and renewable diesel). These fuels are primarily used as transportation fuels blended with gasoline and diesel. The most common blend of ethanol is E10—10% ethanol, 90% gasoline.¹ Approximately 96% of the vehicles on the road today can use blends up to E15 (15% ethanol), while only about 8% can use blends up to E85 (51% to 83% ethanol).^{2,3} Ethanol is more corrosive than gasoline and often requires specialized equipment to

transport, store, and dispense. In 2009, the EPA estimated that installing E85 refueling equipment would cost about \$122,000 per facility.⁴ There are currently 4,722 E85 fueling stations in the United States.⁵

While biofuels infrastructure subsidies were once sold as a bridge to next-generation, advanced biofuels derived from non-food feedstocks—such as perennial grasses and agricultural residues—taxpayer subsidies have instead been primarily used to prop up distribution and sales of first-generation, food-based biofuels derived from corn and soybean crops. This has led to increased market distortions, higher fuel and food costs, and other long-term liabilities for both consumers and taxpayers.

Rural Energy for America Program

Originally intended to fund renewable energy projects like wind and solar, the Rural Energy for America Program (REAP) was reinterpreted by U.S. Department of Agriculture (USDA) in 2011 to subsidize biofuels infrastructure.⁶ In April of that year, USDA amended REAP’s regulations to make blender pumps eligible for funding. Specifically, the interim rule defined “flexible fuel pumps” as “a retail pump that combines and dispenses a blended liquid transportation fuel or that dispenses a blended liquid transportation fuel with a percentage volume of renewable fuel in excess of the Federal or State requirements, whichever is higher.”⁷ From 2011 to 2014, USDA awarded \$5.17 million in grants for 91 blender pump projects, with awards ranging from \$7,000 to \$500,000.⁸ Congress later included an explicit prohibition on using REAP funds for fuel infrastructure in the 2014 Farm Bill.⁹

Biofuel Infrastructure Partnership

Instead of heeding congressional intent and ending subsidies for first-generation biofuel infrastructure, USDA created another biofuel infrastructure program through the Commodity Credit Corporation (CCC)—a fund typically used to dispense payments for programs authorized in farm bills. The Biofuel Infrastructure Partnership (BIP) offered competitive, cost-share grants to states for “the installation of fuel pumps and related infrastructure dedicated to the distribution of higher ethanol blends.”¹⁰ In 2015, USDA awarded \$99.9 million in grants to 21 states, funding a proposed 1,486 stations, 4,880 pumps, and 515 storage tanks.¹¹

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 2025, federal subsidies continue to flow.

Higher Blends Infrastructure Incentive Program

In 2020, USDA announced \$100 million in grants under a similar program, the Higher Blends Infrastructure Incentive Program (HBIIIP). The program offered competitive 50% cost-share grants

to fueling stations and distribution facility owners to upgrade or install equipment for ethanol blends greater than 10% and biodiesel blends greater than 5%.¹²

In 2022, USDA announced another \$100 million through the program.¹³ That same year, Congress appropriated an additional \$500 million in the Inflation Reduction Act (IRA) for grants “to increase the sale and use of agricultural commodity-based fuels through infrastructure improvements for blending, storing, supplying, or distributing biofuels...”¹⁴ USDA later announced that this funding would be available through HBIIP, with \$50 million used to backfill prior oversubscription¹⁵ and \$450 million available at a higher federal cost-share of 75%.¹⁶

Alternative Fuel Vehicle Refueling Property Credit (30C)

The Alternative Fuel Vehicle Refueling Property Credit, first established by the Energy Policy Act of 2005 (P.L. 109–58), offered a 30% tax credit per location for facilities dispensing certain alternative fuels—including any fuel with at least 85% ethanol and certain biodiesel blends. When it was established, the Treasury Department estimated the credit would cost taxpayers \$90 million from FY2005 to FY2010.¹⁷ The credit was later extended, expanded to include electric vehicle charging equipment as eligible, and then, in the IRA, restricted to property in rural and low-income communities. The U.S. Department of the Treasury estimated that the 30C credit, as amended by the IRA, would cost taxpayers \$11.3 billion between FY2024 and FY2033.¹⁸ Congress voted to eliminate 30C in 2025 through the One Big Beautiful Bill Act (OBBBA), and it is set to expire June 30, 2026. The Treasury now estimates that 30C will cost taxpayers \$460 million between FY2025 and its expiration.¹⁹

Taxpayer, Consumer, and Environmental Impacts

Biofuels subsidies were originally promoted as a path to energy independence and a cleaner environment. But not only are they costly for taxpayers, they have also failed as a climate solution. The primary biofuels produced in the U.S.—corn ethanol and soy biodiesel—have not proven to significantly reduce greenhouse gas (GHG) emissions. Instead, they encourage producers to convert farmland into fuel production, increasing food prices and harmful emissions. Decades of taxpayer subsidies have not built a bridge to advanced biofuels derived from non-food crops, as once promised.

In total, USDA spending on biofuel infrastructure projects totaled \$805 million since 2011, not counting the duplicative alternative fuel refueling tax credit or other federal supports for biofuels.

Biofuel infrastructure subsidies are duplicative of other federal supports, including tax breaks for installing specialized ethanol and biodiesel pumps, as well as a long list of other taxpayer-backed benefits. These include the Renewable Fuel Standard (RFS) mandate, additional farm bill energy subsidies, and federal loan guarantees. After half a century of subsidies and more than a decade of “temporary” infrastructure programs, taxpayers are still footing the bill for an industry that long ago

learned to live on government support. It’s time to close the spigot and let these mature fuels compete on their own.

Conclusion

Taxpayers have spent billions of dollars subsidizing biofuels infrastructure with no end in sight. While Congress voted to eliminate the Alternative Fuel Vehicle Refueling Property Credit in 2026, policymakers continue to push for new and expanded subsidies and special interest carve-outs for first-generation biofuels, including year-round approval of E15 sales. But continuing to subsidize biofuels infrastructure will not result in long-term prosperity for farmers, taxpayers, or consumers. Eliminating these subsidies would reduce market distortions, protect taxpayers, and allow energy and agricultural businesses to invest in practices that result in long-term prosperity and financial success.

Biofuel Infrastructure Subsidies in USDA Programs, 2011-2025

Funding Source	Program	Description	Eligible Projects	Spending
Farm Bill Energy Title (Mandatory Spending)	Rural Energy for America Program (REAP)	Intended to support rural renewable energy projects such as wind and solar, but also subsidized ethanol and biodiesel projects	New or retrofitted retail pumps that dispense higher-blend transportation fuels	\$5.17 million
Farm Bill Commodity Title – Commodity Credit Corporation	Biofuel Infrastructure Partnership (BIP)	CCC funds traditionally used for farm subsidies were redirected to biofuels infrastructure	New or retrofitted blender pumps for E15 or E85 pumps, new storage tanks, and related equipment	\$100 million (2015)
Farm Bill Commodity Title – Commodity Credit Corporation	Higher Blends Infrastructure Incentive Program (HBIIIP)	CCC funds again used to subsidize infrastructure for higher biofuel blends	New or retrofitted infrastructure (fuel pumps, storage tanks, and related equipment) for ethanol blends >10% or biodiesel blends > 5%.	\$200 million (2020 and 2021)
Inflation Reduction Act (Appropriations)	Higher Blends Infrastructure Incentive Program (HBIIIP)	Grants “to increase the sale and use of agricultural commodity-based fuels through infrastructure improvements...”	New or retrofitted infrastructure for ethanol blends >10% or biodiesel blends >5%.	\$500 million (FY2022-2031)

Endnotes

¹ Department of Energy (DOE), “Biofuel Basics,” accessed August 2025. <https://www.energy.gov/eere/bioenergy/biofuel-basics>

² U.S. Department of Agriculture (USDA), “Higher Blends Infrastructure Incentive Program,” accessed August 2025. <https://www.rd.usda.gov/HBIIP>

³ DOE, Alternative Fuels Data Center, “Ethanol,” accessed August 2025 <https://afdc.energy.gov/fuels/ethanol>

⁴ Government Accountability Office, “Biofuels: Potential Effects and Challenges of Required Increases in Production and Use,” August 2009. <https://www.gao.gov/assets/gao-09-446.pdf>

⁵ DOE, Alternative Fuels Data Center, “Ethanol Fueling Station Locations,” accessed August 2025 <https://afdc.energy.gov/fuels/ethanol> <https://afdc.energy.gov/fuels/ethanol-locations#/find/nearest?fuel=E85&country=US>

⁶ Taxpayers for Common Sense (TCS), “Rural Energy for America Program Fact Sheet,” November 2021. <https://www.taxpayer.net/agriculture/rural-energy-for-america-program-fact-sheet-2/>

⁷ USDA, Rural Business Cooperative Service, “Interim Rule for Rural Energy for America Program.” RIN: 0575-AA76. April 2011. <http://www.regulations.gov/#!documentDetail;D=RBS-11-BUSINESS-0009-0001>

⁸ USDA, Rural Development, “The Impact of the Rural Energy for America Program on Promoting Energy Efficiency and Renewable Energy,” March 2012. <https://www.govinfo.gov/content/pkg/GOVPUB-A114-PURL-gpo145760/pdf/GOVPUB-A114-PURL-gpo145760.pdf>

⁹ Section 9001(16)(B) of the Agricultural Act of 2014

¹⁰ USDA, Commodity Credit Corporation, “Notice of Funds Availability (NOFA); Biofuel Infrastructure Partnership (BIP) Grants to States,” June 2015. <https://www.federalregister.gov/documents/2015/06/16/2015-14763/notice-of-funds-availability-nofa-biofuel-infrastructure-partnership-bip-grants-to-states>

¹¹ USDA, “Biofuel Infrastructure Partnership - State Table,” accessed July 2016. <http://www.fsa.usda.gov/programs-and-services/energy-programs/bip/index>

¹² USDA, “Notice of Funds Availability for the Higher Blends Infrastructure Incentive Program (HBIIP) for Fiscal Year 2020,” May 2020. <https://www.federalregister.gov/documents/2020/05/05/2020-09685/notice-of-funds-availability-for-the-higher-blends-infrastructure-incentive-program-hbiip-for-fiscal>

¹³ USDA, “Notice of Funding Opportunity for the Higher Blends Infrastructure Incentive Program (HBIIP) for Fiscal Year 2022,” August 2022. <https://www.federalregister.gov/documents/2022/08/23/2022-18123/notice-of-funding-opportunity-for-the-higher-blends-infrastructure-incentive-program-hbiip-for>

¹⁴ Sec. 22003. Biofuel Infrastructure and Agriculture Product Market Expansion

¹⁵ USDA, “IRA Climate and Clean Energy Solutions,” accessed August 2025. <https://www.rd.usda.gov/media/file/download/ira-climate-washington.pdf>

¹⁶ USDA, “Notice of Funding Opportunity for the Higher Blends Infrastructure Incentive Program (HBIIP) for Fiscal Years 2023 and 2024,” June 2023. <https://www.federalregister.gov/documents/2023/06/28/2023-13483/notice-of-funding-opportunity-for-the-higher-blends-infrastructure-incentive-program-hbiip-for>

¹⁷ Joint Committee on Taxation, “Comparison of the Revenue Effects of the Tax Provisions of H.R. 6, as Passed by the House and as Amended by the Senate,” JCX-53-05, July 19, 2005. <https://www.jct.gov/getattachment/57e3d074-8806-4aeb-889b-95305adcf698/x-53-05-1562.pdf>

¹⁸ U.S. Department of Treasury, “FY2025 Tax Expenditures,” accessed August 2025. <https://home.treasury.gov/system/files/131/Tax-Expenditures-FY2025.pdf>

¹⁹ U.S. Department of Treasury, “FY2027 Tax Expenditures,” accessed February 2026. <https://home.treasury.gov/system/files/131/Tax-Expenditures-FY2027.pdf>