

# FUNDING FOR PHANTOM FUELS

## QUICK STATS

- ✘ **CONFERENCE:** Spending
- ✘ **TEAM:** Internal Revenue Service
- **FUMBLE:** Billions of dollars in tax credits for non-existent biofuels
- **HOW TO RECOVER THE BALL:** Eliminate the incentive for a fuel the market cannot provide

Congress has a knack for mandating the use of certain goods by consumers and then subsidizing their production. This is precisely what the government does with the production tax credit for cellulosic biofuels, which are additives blended into the U.S. gasoline supply in the name of lowering dependence on foreign oil. Since 2009 biofuels made from switchgrass and similar feedstocks received a \$1.01 per gallon tax credit.<sup>141</sup>

Not only is this subsidy expensive, it is highly ineffective. For 2015, the RFS requires that three billion gallons of cellulosic biofuels be blended into the gasoline supply.<sup>142</sup> But there is a huge problem; all American manufacturers of cellulosic biofuels combined only produced around 100 million gallons, far less than the required three billion gallons. In other words the tax credit is unsuccessful at

creating the necessary supply to meet the demand created by Congress. EPA finds itself mandating that Americans use a fuel that does not exist, even when Congress forced taxpayers to pay for it.

## RECOVERY

Despite the significant financial incentive, which amounts to \$55 million each time Congress enacts a two-year extension of the credit,<sup>143</sup> the goal of spurring technological advancement in the area of cellulosic biofuel is simply not working. Congress should eliminate the costly and ineffective mandate. American families can understand their government working to decrease its reliance on foreign oil and save them money. But the biofuels tax credit does neither. Congress cannot pay for a fuel that does not exist.

***For more information, please visit:***

[EPA: Renewable Fuel Standard Program](#)

[United States Senate Finance Committee: Provisions in the Chairman's Mark: EXPIRE Act](#)

[CRS Report: Renewable Fuel Standard \(RFS\): Overview and Issues](#)

[CRS Report: The Renewable Fuel Standard \(RFS\): Cellulosic Biofuels](#)