

Biofuels policy fails to achieve goals warns study

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US biofuel policies will fail to achieve the intended environmental, energy and agricultural goals, warns an article in the journal *Applied Economics Perspectives and Policy* (AEPP).

"A key feature of biofuels [policy](#) is the combination of mandate and subsidies that cause severe adverse effects," said Harry de Gorter, co-author of the article and Professor in the Department of Applied Economics and Management at Cornell University. "The analysis of biofuel policies is shown to be unique compared to all other environmental policy analysis and has implications for biofuels policy worldwide and also for renewable electricity policy. Throughout the world, countries use complicated combinations of mandates and subsidy programs to promote biofuels and the [renewable electricity](#) sector." Because these combinations are so complicated, they can often have unintended consequences.

Authors de Gorter and David Just, Associate Professor in the Department of Applied Economics and Management at Cornell University, argue that regulations that mandate an increase in the amount of biofuels incorporated into current energy supplies are superior to all other policies, yet as soon as policies are combined, there can be negative [economic](#) interactions. For example, adding a biofuel subsidy with a consumption mandate fails to increase ethanol consumption but instead subsidizes oil consumption.

A more effective policy would rely on specific taxes and subsidies

targeted directly at achieving specific environmental, energy and agricultural policy goals, according to the study.

More information: aep.oxfordjournals.org/content/32/1/4.full

Provided by Oxford University

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