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The Biofuel Follies

To avoid drilling for oil in ANWR, the planet savers evidently prefer destroying forests that absorb greenhouse gases.

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Iowa's caucuses, a source of so much turbulence, might even have helped cause the recent demonstration by 10,000 Indonesians in Jakarta. Savor the multiplying irrationalities of the government-driven mania for ethanol and other biofuels, and energy policy generally.

Indonesians, like most Asians, love soybeans, the world price of which has risen 50 percent in a month and 125 percent in a year, partly because of increasing world population and incomes, but also because many farmers have switched land from soybeans to crops that can be turned into biofuels. In 2005, America used 15 percent of its corn crop to supplant less than 2 percent of its gasoline use. In 2007, the government-contrived U.S. demand for ethanol was more than half the global increase in demand. The political importance of corn-growing, ethanol-making Iowa is one reason that biofuel mandates flow from Washington the way oil would flow from the Arctic National Wildlife Refuge if it had nominating caucuses.

ANWR's 10.4 billion barrels of oil have become hostage to the planet's saviors (e.g., John McCain, Hillary Clinton, Barack Obama), who block drilling in even a tiny patch of ANWR. You could fit Massachusetts, New Jersey, Rhode Island, Connecticut and Delaware into ANWR's frozen desolation; the "footprint" of the drilling operation would be one sixth the size of Washington's Dulles airport.

Clinton has an alternative to drilling: Oil should be released from the Strategic Petroleum Reserve—which exists to protect the nation against major interruptions of supply—as "a signal to the market." A signal of what? Readiness to release more? All 698 million barrels? Then what?

Americans can still drill for ... water. Water rights (T. Boone Pickens has bought 400,000 acres of them in the Texas Panhandle) are becoming more valuable as ethanol production, which is extremely water-intensive, puts pressure on supplies.

To avoid drilling for oil in ANWR's moonscape, the planet savers evidently prefer destroying forests, even though they absorb greenhouse gases. Will ethanol prevent more carbon-dioxide emissions than would have been absorbed by the trees cut down to clear land for the production of crops for ethanol? Be that as it may, governments mandating the use of biofuels are one reason for the global rise in food prices, which is driving demand for more arable land. That demand is driving the destruction of forests—and animal habitats. In Indonesia alone, 44 million acres have been razed to make way for production of palm oil.

The destruction of forests is one reason European governments are rethinking their biofuel enthusiasm. The European Union has awakened to the fact that growing crops (which requires diesel fuel for tractors, and nitrogen fertilizer made with natural gas) and turning them into biofuel (transporting them to energy-devouring manufacturing plants) takes a toll on the environment. So the EU might require—talk about lowered expectations—that any biofuel represent "a minimal level of greenhouse-gas savings."

The environmental argument for ethanol and other biofuels is, to say no more, rickety. The economic argument is refuted by the need to mandate and subsidize the fuels. The argument that biofuels are important for reducing our energy dependence on unreliable or dangerous Middle Eastern nations (the two largest sources of U.S. oil imports are turbulent Canada and militant Mexico) is mocked by the 54-cents-a-gallon tariff penalizing Brazilian ethanol. The theory behind that tariff is as old as American history. It is that "infant industries"—in this case, the ethanol industry that the government has ordered into existence—require protection. But protection permanently infantilizes industries.

If the argument for ethanol is that domestically produced energy should be increased, there are better ways of doing that. On the outer continental shelf there is a 50-year supply of clean-burning natural gas, 420 trillion cubic feet of it, that the government, at the behest of the planet's saviors, will not allow to be extracted. But, then, consider what was done in 1996 by the dominant half of today's Clinton tandem presidential candidacy.

Bill Clinton, by executive edict, declared 1.7 million acres of Utah to be a national monument. Under those acres are the largest known deposit—more than 60 billion tons—of low-sulfur, clean-burning coal. The second largest deposit, the value of which rose because of Clinton's action locking up an alternative supply, is in Indonesia and is owned by a member of the Indonesian Riady family, of fragrant memory, which was generous to Clinton's 1992 campaign.

James and Stephen Eaves, writing in *Regulation* quarterly, note that if the entire U.S. corn crop were turned into ethanol— it might have to be to meet the goal of 35 billion gallons of biofuels by 2017—it would displace 3.5 percent of gasoline use, just slightly more than would be displaced if drivers properly inflated their tires. And because the United States produces 40 percent of the world's corn supply and 70 percent of global corn exports, turning corn into fuel will damage the world's poor at a time when rising demand will require a tripling of world food production by 2050.

Energy policy has become a mare's nest of environmental and national-security fallacies. Energetic rethinking is in order.

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