

Ethanol Mandate and the Price You Pay for Gas

Research Examining Claims that Fuel Plan Hurts Consumers to be published in "American Journal of Agricultural Economics"

Milwaukee, WI ([PRWEB](#)) February 24, 2016 -- Crude Oil prices have fallen 23 percent in 2016, and 70 percent in the last 20 months. They are prices the world hasn't seen in more than a decade.

In the United States that has sent gasoline prices plummeting; with the national average for a gallon of Regular Unleaded hovering around \$1.70 per gallon. According to AAA that's 55 cents less than this time last year.

This is all happening as critics take aim at the Renewable Fuel Standard (RFS) passed in 2005, which includes what's commonly known as "The Ethanol Mandate" because it stipulates how much of the corn-based product must be blended into gasoline. Just last year the [USA Today](#) and [Chicago Tribune](#) called for an end to the mandate that was created, in part, to reduce the country's reliance on foreign oil.

Professor Bruce Babcock of Iowa State University says oil companies were making "thoroughly outrageous claims" about what it would cost them, and you, to keep up with the plan to reduce greenhouse emissions.

In his paper "Compliance Path and Impact of Ethanol Mandates on Retail Fuel Market in the Short Run," co-authored by Sébastien Pouliot of Iowa State, Babcock found the impact on consumer prices is "close to zero."

"One of the reasons for writing this paper was to debunk the myths for justifications of getting rid of the RFS," Babcock said. "This takes one of the justifications away."

This paper was recently selected to be published in the American Journal of Agricultural Economics. To access the entire paper and schedule interviews with Professor Babcock, please contact Jay Saunders in the AAEA Business Office.



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