



Scott Menchin

A Free Market in Clean Fuels

By Jeffrey Seisler

Washington.

As the nation suffers with ever-worsening air pollution and Washington struggles to revise the Clean Air Act, attention is focusing at last on "clean fuels — the gaseous fuels (natural gas and propane), the alcohols (methanol, ethanol and ethers) and electricity.

Unfortunately, some officials in the Bush Administration are eager to continue the well-established Federal bias toward two clean fuels. To reduce automobile emissions of carbon monoxide, nitrous oxides and ozone, these officials are pressing the Administration to require that ethanol or methanol be added to gasoline.

This "pet fuel" policy, pushed by decision makers catering to the ethanol and methanol industries, tilts the balance of equal competitive opportunity in a free marketplace. This insures that clean fuels will have a more difficult time becoming a major part of the nation's energy mix.

Laws that mandate specific fuels do not take into account the economics of clean fuels, their varied environmental benefits, safety concerns or critical supply and distribution issues. The best strategy would be to set clean fuel performance standards, thus insuring that each of the alternative fuels has an equal opportunity for success in the marketplace.

A variety of signals point to an urgent need for a comprehensive, national clean fuels policy: warnings about the greenhouse effect, the nation's growing dependence on imported oil and the increasing numbers of Americans – about half, according to the Environmental Protection Agency – who are breathing bad air.

Meanwhile, the transportation sector of the economy, which consumes 63 percent of the nation's petroleum and has virtually no alternative fuel capability, remains highly susceptible to any major disruption in petroleum supply or to a rapid price spike.

During the Reagan Administration the term "level playing field" became shorthand for the principle that all clean fuels should have an equal opportunity in the marketplace. To date, however, the playing field has been littered with hurdles and potholes.

For example, methanol supporters in the Reagan, and now Bush, Administrations were influential in getting the E.P.A. to develop a methanol vehicle emissions standard. Such standards, which no other clean fuels have, provide a critical marketplace advantage. Car manufacturers are hesitant about producing new vehicles and engines until the emissions standards are in place.

Federal dollars for research and development programs have heavily favored methanol and electric vehicles. Since 1980, the Department of Energy has spent \$194.4 million on electric vehicle development and \$26.2 million for alternative fuels research and development, mostly on alcohol fuels.

Federal tax policies for the clean fuels are inconsistent. Ethanol receives a 60 cents a gallon Federal subsidy not available to other clean fuels. There is nine cents a gallon tax on propane, 4.5 cents a gallon tax on methanol, and no Federal fuel tax on the nonliquids: natural gas and electricity.

To date, there is only one equitable Federal program addressing clean fuels. That's the \$38 million Alternate Fuel Initiative by the Urban Mass Transportation Administration, which encourages transit authorities to buy clean-fuel buses. Some of the eight other clean air and alternative fuels bills pending are "fuel neutral." Others still tend to advocate policies favoring methanol or they ignore one or more of the clean fuels.

A national clean fuels policy that is truly "fuel neutral" must address the needs of the market and the realities for each fuel alternative and should, at a minimum, call for or include: emissions standards and testing procedures for all fuels; safety procedures for handling the clean fuels; tax incentives to encourage more environmentally sound fuels; a requirement that the Government convert some or all of its fleet to clean fuels (a position now advocated by two proposed amendments to the Clean Air Act); an even-handed approach to funding research and development; and elimination of regulatory obstacles to commercializing the clean fuels.

The choice of energy in each market and region should depend not on subsidies but on cost, safety, environmental benefits, availability and deliverability of the fuel, and engine compatibility.

A national clean fuels policy should address the needs of the market and the characteristics of each fuel alternative. The nation's clean air goals are achievable, as are a reduced national deficit and reduced reliance on imported oil. An even-handed approach to the fuel alternatives will help achieve these important national goals.

Jeffrey Seisler is executive director of the Natural Gas Vehicle Coalition, a lobby that promotes technologies for natural gas vehicles.