There is a fundamental flaw in the system designed to ensure compliance with the Renewable Fuel Standard (RFS): The assumption that refiners would not blend ethanol into their fuel were it not for the policy and its threat of crippling costs being imposed on obligated parties who do not blend.

That assumption could not be further from the truth. Ethanol is a valuable source of octane, and almost all gasoline sold in the United States for use in motor vehicles contains ethanol. Ninety-five percent of what's sold is 10 percent ethanol (E10), according to the U.S. Energy Information Administration, and beyond that E15 and flex fuels comprise roughly another percent of sales. Today, practically all fuel refining infrastructure in the United States is oriented around the production of E10 fuel, where ethanol is blended into gasoline to achieve necessary octane ratings.

These realities serve as proof of market-driven (not mandate-driven) demand for biofuel. They also make it abundantly clear that there is no case for continuing the Renewable Fuel Standard's (RFS) conventional ethanol mandate. This part of the RFS could sunset, because as long as engines require fuel with octane, demand for ethanol would remain.

Beyond being unnecessary, the RFS is downright detrimental. Its wild compliance system gives refiners two options under the law: blend or pay. That is, blend biofuel into gasoline or purchase Renewable Identification Number (RIN) credits that become available for purchase when other facilities blend biofuel into their fuel. RINs fluctuate in price and are often bought and sold by individuals outside of the ethanol and refining industries, some of which are raking in huge profits. At the same time, RINs are costing some American refiners billions of dollars every year — more than is spent on payroll, in some cases.

The RINs system was designed with the understanding that, to show compliance with the policy, some refiners may choose to buy RINs instead of blending ethanol themselves. However, the assumption was that as RINs become scarcer and more expensive, blending ethanol would become the more attractive option to refiners and, overall, more ethanol would be incorporated into the fuel supply.

But that's just not true.

Even when RIN compliance costs have skyrocketed, there has been no appreciable uptick in ethanol blending (see below).

In reality, refiners can only blend so much ethanol into gasoline before infrastructure constraints and lack of demand from retailers and consumers prohibit them from blending more — a limitation known as the “blend wall.” So even as the costs of RINs go up and up, refiners constrained by the blend wall have no choice but to pay – evidence of a severely broken system and policy.

Products like ethanol don’t need to rely on rigid fuel- and gallon-specific mandates. Ethanol producers can thrive without an onerous compliance system and in spite of EPA waivers of D6 RIN obligations. Consumer and market demand for ethanol-blended fuel would not change if the conventional mandate went away and would continue to be met by refiners and retailers. Ethanol would also retain its advantage as an affordable, abundant source of octane with or without RFS.

Competitive products don’t need mandates. It’s time to eliminate the conventional ethanol mandate.

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