



ATR Energy Tax Hike Series

Low Carbon Fuel Standard (LCFS)

Current Law

The Low Carbon Fuel Standard (LCFS) is a limit on the amount of carbon emission allowed from the production and consumption of transportation fuels. There currently is no federal LCFS for the private sector.¹

Obama Proposal

A LCFS was in the original draft of the Waxman-Markey bill, but removed from the version that passed the House. We expect that it will be included in the Senate draft.

State note: California currently has an LCFS in place which is intended to reduce carbon content by 10% by 2020 relative to its content in 2010. The reduction will be gradually phased in between 2011 and 2020.

ATR Analysis

The United States' largest oil supplier, Canada, gets most of its oil from oil sands. These oil sands, like the oil shale in the western US, have a high carbon lifecycle. **A LCFS would restrict our access to the Canadian oil sands, which provided about 18 percent of the oil to the US in 2007.** The US consumes nearly all of the Canadian oil exports.²

A LCFS would likely increase biofuel use from corn-ethanol, thus increasing the cost of food. Costs of reaching a 90% LCFS **using ethanol would range between \$65.5 billion and \$760 billion annually; which are \$570 and \$6520 per year per household.** These LCFS would increase subsidies to corn ethanol, **costing taxpayers between \$1 billion and \$17 billion.**

The 10% reduction in fuel greenhouse gas emissions mandated by a LCFS would **increase the cost of ethanol by 46%; from \$2.01 per gallon to \$2.93 per gallon.** The price of gasoline would also increase by **\$0.61 per gallon.**³

An LCFS will:

- Increase transportation costs and taxes.
- Increase food costs around the world because of increased corn-ethanol use.
- Cut off oil supplies from Canada and the western US, making the US more dependent on less secure sources of energy.

¹ There is a LCFS for a limit on purchases by the federal government

² Kueter, Jeff "National Security, Energy Security, and a Low Carbon Fuel Standard." George C. Marshall Institute. 2009. <http://www.marshall.org/pdf/materials/643.pdf>, P. 2 and 17.

³ George C. Marshall Institute, "Economic, Environmental, and Energy Security Consequences of a National Low Carbon Fuel Standard." April 2009 <http://www.marshall.org/pdf/materials/644.pdf>, P. 2-3