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Mackinac Center: Clean Fuel Standard Would Raise Gas Prices

A Senate bill that would require cutting the carbon intensity of transportation fuels would lead to higher prices at the pump for motorists while providing little environmental benefit, a study released this week stated.

However, [Sen. Sam Singh](#) (D-East Lansing) , who sponsored the bill, said the [study](#), released Thursday by the Mackinac Center for Public Policy, was biased.

The report estimated that if a mandated low-carbon fuel standard, or clean fuel standard, were enacted in Michigan, gas prices would increase by 34 cents per gallon for unleaded gasoline and 39 cents per gallon for diesel fuel by 2035.

The study focused on [SB 275](#) , which was introduced last year as part of a bill package to increase the state's renewable energy standard. The bill would require a 25 percent reduction of carbon intensity in transportation fuels by the end of 2035.

The legislation had a committee hearing in June 2023 (See [Gongwer Michigan Report, June 22, 2023](#)). It has not been reported by the committee.

Based on the study's modeling, the bill would translate to about \$356 more in gas costs for the average Michigan household.

The Mackinac Center cited U.S. Energy Information Administration data that Michigan drivers in 2022 consumed 4.3 billion gallons of gas, or about 1,048 gallons per household.

"If enacted, this policy would act like an additional gas tax, increasing the cost of transportation fuels for families and businesses," the report stated. "Unlike a gas tax, however, this policy would provide no money

for roads and bridges. It would also have no measurable impact on future global temperatures."

Like California's clean fuel standard that took effect in 2011, the bill seeks to reduce emissions over time by requiring the fuels used for transportation to be cleaner.

Clean fuel standard plans set up a cap-and-trade program to get the transportation fuel industry to increase the production and sale of fuels with a lower carbon intensity.

Fuels sold in states with a carbon intensity score above the government's set limits are assessed as a deficit, the Mackinac Center said, while those sold with a score below the benchmarks are awarded as credits.

Producers with deficits must blend lower-carbon fuels with the gas or diesel fuel they sell, or alternatively buy credits from other fuel producers who have accumulated them by producing fuels with carbon intensity scores below the standard.

"As the standards become more stringent year-by-year, gasoline and diesel fuel producers must purchase more credits to offset their deficits," the study stated. "Michigan's proposed standard will likely have limited initial costs but become increasingly expensive."

Singh said the Mackinac Center report did not contain any information on the economic development growth that could occur under such changes, nor did it have data on job growth.

"This, in my opinion, was a biased report," Singh said.

He cited a 2022 [report](#) from Washington, D.C.-based economic consulting firm Bates White, LLC reviewing California's clean fuel standard. The Bates White report states that the California clean fuel standard has not had a significant effect on gas prices.

Singh said the concept has been under consideration in several other states in the last year. He added that the renewable energy standard ended up being the key focus of the energy law package last year.

"My hope is that we'll have the opportunity to have more of a hearing on this," Singh said..

The Mackinac Center report also used data to state that the law changes would have minimal effect on climate change.

In 2021, the EIA stated Michigan's transportation sector emitted 47.5 million metric tons of greenhouse gases, down from 52.4 million metric tons in 2019. The proposed standard under [SB 275](#), the study stated, would reduce global temperatures by 0.0003 degrees Celsius by 2100.

"All Michigan residents want a clean environment to pass on to future generations," the study concludes. "However, environmental policies in Michigan need to prioritize affordable measures that do not burden residents with dramatic price increases, especially when those price increase offer little or no environmental gain."

—By Nick Smith

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