



# "Boutique Fuels"

**Cleaner Burning Fuels Are Not Responsible For High Gas Prices**

More than 150 million Americans live in communities with unhealthy levels of ozone or particle pollution caused in part by automobile emissions. Clean fuel standards is one of the most cost-effective methods to reduce auto emissions and improve air quality. The Environmental Protection Agency reports that "clean fuel programs have been an integral part of the nation's strategy to reduce air pollution." Yet recent efforts by some in Congress seek to limit the clean fuels program under the guise of lowering prices at the pump. Such a move would have no effect on gas prices, and would only result in making the air quality worse for millions of Americans.

In April 2006, President Bush alleged that boutique fuels were one reason for current gasoline prices. Around the same time, the House Committee on Energy and Commerce introduced the "Boutique Fuel Reduction Act of 2006" to limit the number of different fuels used across the United States and allegedly reduce prices at the pump.

Yet these claims are not well supported. While the number of fuel blends has not changed significantly since 2002, the price of gasoline has more than doubled since then. Clean burning fuels are not causing the high price of gasoline; rather, rising crude oil prices, unregulated energy trading markets and anti-competitive practices by large oil companies are driving up prices.

In fact, an EPA draft report released June 16, 2006 unequivocally states, "EPA's review did not reveal any studies or empirical data confirming that boutique fuels presently contribute to higher fuel prices or present unusual distribution problems."<sup>1</sup> With 60 percent of the price of gasoline based on the price of crude oil, EPA found that boutique fuels add only 0.3 to 3 cents per gallon above the price of conventional gasoline.<sup>2</sup>

Testimony from the oil and gas industry also supports this. A hearing of the House Committee on Energy and Commerce on June 7, 2006, for instance, showed no evidence that clean burning fuels were contributing to the current prices of gasoline. In fact, Committee chair Joe Barton (R-Texas) has admitted that the hearing

showed that there was not a "pervasive" problem and that the EPA was addressing the important issues.<sup>3</sup>

Clean fuel formulations exist both on the federal and state levels. In the Clean Air Act Amendments of 1990, Congress mandated the use of cleaner fuel formulations for areas which did not meet National Ambient Air Quality Standards (NAAQS). Specific areas of the country were designated by the EPA as non-attainment areas and were brought into the federal Reformulated Gasoline (RFG) program. RFG is gasoline which contains lower levels of benzene, sulfur and aromatic compounds to burn cleaner and to reduce smog and toxic emissions.<sup>4</sup>



*Hazy day in Houston, Photo from the University of Texas*

Areas in seventeen states use RFG, of which there are 6 different kinds.<sup>5</sup> 127 counties in 14 states plus the District of Columbia use RFG because they are required to do so. Another 70 counties in 12 states have voluntarily opted in. All of Connecticut, Delaware, Massachusetts, New Jersey, Rhode Island, and the District of Columbia use RFG. About 30% of gasoline sold in the United States is reformulated. To find out about RFG where you live visit: [www.epa.gov/otaq/rfg/whereyoulive.htm](http://www.epa.gov/otaq/rfg/whereyoulive.htm). The RFG program is estimated to reduce cancer risk from gasoline by almost 20%.<sup>6</sup>

In addition to the RFG program, some states were allowed to go above and beyond the federal minimum standards and adopt their own clean fuel programs in order to better protect the health of their citizens.

Twelve states have approved so-called boutique fuel programs. Boutique fuels are fuel blends formulated to meet air quality standards. They were adopted under state law and had to be approved by the EPA as a part of the State Implementation Plan for meeting Clean Air Act requirements. A fuel was only approved if it was deemed “necessary to achieve” NAAQS. “Necessary to achieve” means that there were no other ways to meet NAAQS, or there were other ways but they were determined to be unreasonable or impractical.<sup>7</sup> States adopted these fuels either because they were not eligible for the RFG program or because a different clean fuel blend was cheaper than RFG.<sup>8</sup> Seven different fuels are being used in these state programs.<sup>9</sup> This number is fixed and cannot be increased. If other states wish to tighten their regulations, they must do so using a fuel already in use in their Petroleum Administration for Defense District (PADD), or region of gasoline distribution. The Clean Air Act Amendments designate special fuel standards for California. Renewable fuel initiatives are not considered “boutique fuels.”

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[www.thehill.com/thehill/export/TheHill/News/TheExecutive/062206\\_fuel.html](http://www.thehill.com/thehill/export/TheHill/News/TheExecutive/062206_fuel.html).

<sup>2</sup> Wehrum, William. Capitol Hill Hearing Testimony. House Committee on Energy and Commerce. May 10, 2006. <http://energycommerce.house.gov/108/Hearings/05102006hearing1869/Wehrum.pdf>.

<sup>3</sup> Kaplun, Alex. “House puts CAFÉ, boutique-fuels bills on backburner.” *Greenwire*. June 21, 2006.

[www.eenews.net/eenewspm/2006/06/20/#1](http://www.eenews.net/eenewspm/2006/06/20/#1).

<sup>4</sup> Chakravorty, Ujjayant and Céline Nauges, 2005. “Boutique Fuels and Market Power,” Emory Economics 0511, Department of Economics, Emory University.

[www.economics.emory.edu/Working\\_Papers/wp/chakravo\\_05\\_11\\_paper.pdf](http://www.economics.emory.edu/Working_Papers/wp/chakravo_05_11_paper.pdf).

<sup>5</sup> “EPA Launches Task Force to Review Boutique Fuels.” *Green Car Congress*. May 5, 2006.

[www.greencarcongress.com/2006/05/epa\\_launches\\_ta.html](http://www.greencarcongress.com/2006/05/epa_launches_ta.html).

<sup>6</sup> “Basic Information-Reformulated Gasoline.” EPA. March 7, 2006. [www.epa.gov/otaq/rfg/information.htm](http://www.epa.gov/otaq/rfg/information.htm).

<sup>7</sup> “EPA Presentation to the Boutique Fuels Task Force.” EPA. May 12, 2006.

[www.epa.gov/otaq/boutique/resources/BFTFPresentation51206.pdf](http://www.epa.gov/otaq/boutique/resources/BFTFPresentation51206.pdf).

<sup>8</sup> Becker, S. William. “STAPPA/ALAPCO’s Testimony on Boutique Fuels Before the Governors’ Task Force.” May 18, 2006.

[http://members.4cleanair.org/rc\\_files/3415/boutiquefuels.pdf](http://members.4cleanair.org/rc_files/3415/boutiquefuels.pdf).

<sup>9</sup> “Draft Boutique Fuels List under Section 1541(b) of the Energy Policy Act and Request for Public Comment.” EPA. May 13, 2006. [www.epa.gov/otaq/regs/fuels/boutique-fuels-notice.pdf](http://www.epa.gov/otaq/regs/fuels/boutique-fuels-notice.pdf)

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<sup>1</sup> Snyder, Jim. “Report: Boutique fuels do not raise gas prices.” *The Hill*. June 22, 2006.