

Ethanol Vehicles for Post Office Burn More Gas, Get Fewer Miles

By Peter Robison, Alan Ohnsman and Alan Bjerga



May 21 (Bloomberg) -- The [U.S. Postal Service](#) purchased more than 30,000 ethanol-capable trucks and minivans from 1999 to 2005, making it the biggest American buyer of alternative-fuel vehicles. Gasoline consumption jumped by more than 1.5 million gallons as a result.

The trucks, derived from [Ford Motor Co.](#)'s Explorer sport-utility vehicle, had bigger engines than Jeeps from the former Chrysler Corp. they replaced. A Postal Service [study](#) found the new vehicles got as much as 29 percent fewer miles to the gallon. Mail carriers used the corn-based fuel in just 1,000 of them because

there weren't enough places to buy it.

"You're getting fewer miles per gallon, and it's costing us more," [Walt O'Tormey](#), the Postal Service's Washington-based vice president of engineering, said in an interview. The agency may buy electric vehicles instead, he said.

The experience shows how the U.S. push for crop-based fuels, already contributing to the highest rate of food inflation in 17 years, may not be achieving its goal of reducing gasoline consumption. Lawmakers are seeking caps on the use of biofuels after last year's 40 percent jump in world food prices, calling the U.S. policy flawed.

"Using food for fuel has created some unintended consequences: food shortages, the high price of livestock feed," said Senator [John Cornyn](#), a Texas Republican. "I think it's leading a lot of people to wonder whether our corn-based ethanol goals need to be adjusted."

Stimulating Demand

Lost in the debate over the fuel's contribution to food scarcity is the possibility that the ethanol policy itself isn't working, said [David Just](#), an associate professor of economics at Cornell University in Ithaca, New York. It may stimulate demand by making gas cheaper, he said, an argument supported by at least two U.S. government studies.

The Postal Service bought the ethanol vehicles to meet alternative-fuel requirements. The vehicles' size and ethanol's lower energy content lowered mileage, the agency said. It takes 1.33 gallons of E85 (85 percent ethanol) and 1.03 gallons of E10 (10 percent ethanol) to travel the same distance as with one gallon of pure gasoline, the Department of Energy says.

The [Energy Independence and Security Act](#), passed in December, called for ethanol production to more than double to 15 billion gallons in 2015 from 6.5 billion last year. The U.S. pays oil refiners like [Exxon Mobil Corp.](#) 51 cents in tax refunds for each gallon of ethanol they blend into regular gasoline. Automakers get extra credit toward federal fuel-efficiency standards for models that can run on ethanol.

No Federal Requirement

No federal law requires that oil companies make the fuel widely available or that vehicles actually burn it.

About 1,560 of 180,000 U.S. gas stations, or fewer than one in 100, sell E85, according to [Ford](#) and the [National Ethanol Vehicle Coalition](#) in Jefferson City, Missouri. E85 accounted for 1 percent of ethanol sold

in 2006. The rest was blended into regular gasoline at lower concentrations, the [Energy Information Administrationsays](#).

“Whether it was intended this way or not, the U.S. policy helps gasoline companies,” said Cornell’s Just. He and colleague [Harry de Gorter](#) estimated in a February [paper](#) that the credit may increase gasoline consumption by 628 million gallons to 156.6 billion gallons by 2015, compared with 155.9 billion without it.

Findings `Questionable'

“The findings of these professors are questionable,” said [Matt Hartwig](#), a spokesman for the [Renewable Fuels Association](#), a nonprofit group in Washington representing ethanol producers including [Archer Daniels Midland Co.](#) of Decatur, Illinois. The Energy Department’s estimates show that ethanol will contribute to a reduction in U.S. petroleum demand in 2008, he said.

A limited number of stations selling ethanol and the scarcity of vehicles burning it diminish the fuel’s appeal, according to a June 2007 [report](#) by the Government Accountability Office, the research arm of Congress. Three of the 26 ethanol- capable vehicles offered in 2007 were compact or mid-size cars, and the rest were large autos, pickups, SUVs or vans.

The big vehicles help automakers meet fuel-economy standards. General Motors Corp.’s “dual-fuel” 2008 Chevrolet Tahoe SUV was rated at 33.8 miles per gallon for city-highway driving, while a gasoline-burning model was at 20.5 mpg. A [study](#) by three government agencies in March 2002 found that the U.S. would consume 17 million gallons of additional gasoline through 2008 if the flex-fuel vehicles ran on E85 1 percent of the time.

“Not only does this credit do nothing to improve fuel efficiency,” said [Daniel Becker](#), an environmental lawyer and former head of Sierra Club’s global-warming program. “It’s also ensuring that we’re going to use more gasoline.”

Spurring Sales

Federal credits over time will spur more stations to sell ethanol, said [Greg Martin](#), a spokesman for Detroit-based GM. The three largest U.S. carmakers pledged to make half their vehicles capable of using alternative fuels by 2012.

“There is a caveat: providing that the infrastructure and the proper incentives are in place,” said [Jennifer Moore](#), a spokeswoman for Dearborn, Michigan-based Ford.

As for the Postal Service, the agency delayed a \$4 billion investment in as many as 150,000 delivery vehicles until around 2015, O’Tormey said. Until then, it will experiment with Ford Escape hybrid-electric SUVs, an [Azure Dynamics Corp.](#) electric vehicle and a GM hydrogen fuel-cell model, to be introduced in Los Angeles in July, he said.

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