

Is ethanol the best answer to fuel crisis?

Fuelling Change: Part 1

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By Melissa Mancini

DURHAM -- It's been called the clean, green gasoline.

But the use of food crops to create ethanol is also blamed for rising food prices and global hunger. The fuel -- created from corn, soybeans and canola, among other crops -- is attracting attention and causing controversy with governments, interest groups and humanitarian organizations.



*AJ Groen / Metroland Fuelling change:
Is ethanol the best answer to fuel crisis*

The pros and cons of ethanol and the government policy surrounding it are changing faster than farmers can grow the crops to create the environmental gas.

Premier Dalton McGuinty indicated just last week he is backing off a plan to require 10 per cent ethanol additives in gasoline by 2010 because of rising food prices.

"Nationally, it's going to five per cent. The issue for us is whether it's in the public interest for us to stretch to 10 per cent," Mr. McGuinty said to reporters at Queen's Park.

"We've got to pay attention to some of the other developments, including food costs, to make sure that we are not contributing to that."

While governments debate the merits of more versus less ethanol, consumers will be wondering what adding ethanol to gasoline will mean at the pumps.

Roger McKnight, a fuel pricing expert from Oshawa-based En-Pro International, which provides custom-pricing solutions to companies from different sectors, said the use of ethanol is certainly not the way to create relief for consumers.

Mr. McKnight said 10 per cent ethanol in fuel is a psychological or public relations move and that adding ethanol to fuel is not helping the average driver. The practice is artificially raising the price of gasoline, he said.

"You reach a problem where the oil companies say 'Well . . . gas production is going to be reduced by 10 per cent because people are using ethanol, therefore we're going to cut back production of gasoline'. . . and that's going to decrease the inventory, and that's going to be perceived by the market as an increase in demand, even though it isn't."

In contrast, some say the addition of ethanol to regular fuel is going to help reduce prices for those filling up.

Robin Speer, vice-president of public affairs for the Canadian Renewable Fuels Association, said the cost of ethanol varies because it depends on the price of natural gas and feed stock costs.

But ethanol is still cheaper than traditional fuel, he said, because blending ethanol with regular unleaded gas means the direct cost to the consumer is lower.

The use of ethanol also helps to reduce the price of gas by adding to the supply of gas available, he said.

Pickering-Scarborough East MP Dan McTeague said government policies surrounding ethanol are well-intentioned and have the benefit of creating cleaner gas and creating a stable, predictable crop demand for farmers.

"However, economics really come into play about whether it is sound," he said.

The effect of rising food prices has a global impact, he said.

The problem with a five or 10 per cent mandate of ethanol in fuel, like some governments are attempting, is that only drivers in restricted geographic areas like Ottawa and the GTA are getting the ethanol in their fuel, the MP said.

"In most geographic areas it is not readily available," he said.

Governments in particular have to "look before they leap," he said. "Politicians that aren't very careful could be creating a distinct shortage."

And there are other problems with the fuel besides price, Mr. McKnight said. If fuel contents climb higher than 50 per cent ethanol, problems created could include possible damage to engines in the winter, when gas could crystallize and clog filters, he said.

There are only three 85 per cent ethanol pumps in Ontario, Mr. Speer said -- in Chatham, Guelph and Woodstock.

Mr. McKnight said perhaps customers shouldn't be complaining about gas prices.

"The price at the pump is a bargain," he said.

Overall, oil companies are not making money on gasoline; they make money on crude, he said. Consumer gas costs a lot in refining, delivering, maintaining, trucking, and in paying employees.

This is Part 1 in a 4-part series.