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## THE COMPETITIVE EDGE

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### ***THE COMPETITIVE EDGE***

Americans work hard to build businesses and create jobs that can compete in the global marketplace. Sometimes, their own government can prove one of the largest obstacles.

*The Competitive Edge* highlights one government policy or practice that makes it harder for American innovators to succeed. This week, we examine the relationship between travel and American competitiveness, starting with the uncoordinated and overly complex government rules on the price of gas.

#### **The Problem:**

Economic growth spurred by free-market principles has increased demand for gasoline and other energy sources. Increased demand has driven up prices, adding to the cost of virtually every product sold in America.

To make matters worse, some local and state governments require the use of specially blended fuels in their areas. Mandating use of these “boutique fuels” drives up delivery and refining costs and can lead to shortages.

The Energy Policy Act of 2005 began to address these problems by placing a moratorium on further proliferation of boutique fuels and authorizing the Environmental Protection Agency to temporarily waive boutique fuel requirements during supply emergencies. This was put to good use immediately.

When Hurricanes Katrina and Rita took about a substantial percentage of America’s domestic fuel production off line temporarily, the EPA stepped in and waived boutique fuel requirements so refineries could work more efficiently to meet demand. Its actions, which also included allowing fuels to enter previously restricted markets and

opened the border to vital supplies of imported fuel, helped mitigate the overall effects of the tragedy.

More must be done to promote environmental quality without burdening consumers with unnecessary costs generated by an ineffective regulatory system.

**The Solution:**

Boutique fuels represent a laudatory effort to improve air quality. But the use of 11 or 12 special blends adds so much in costs as to outweigh the benefits. Governments must coordinate efforts to create a “super fuel” that would lead to cleaner air everywhere and reduce the burden on American workers and businesses.

“We need to simplify our fuel system by ratcheting down the number of existing unique fuel blends,” said Rep. Roy Blunt, R-Mo., the minority whip. “We need to establish an approved list of fuels instead of creating unique blends, which would only contribute to price spikes and fuel supply problems.”

**Why It Matters:**

“The boutique fuels problem is a good example of a regulatory process that has happened in a vacuum,” said Rep. Tom Davis, ranking member of the House Committee on Oversight and Government Reform. “Regulators oversimplified the problem, and its ‘solutions’ created as many problems as they solved. Government must become more sophisticated about how it weighs regulatory answers to complex policy challenges. We don’t have to give up clean air to create an economy where all can succeed.”

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About the Competitive Edge: The Competitive Edge is a weekly bulletin produced by the Republican Staff of the House Committee on Oversight and Government Reform. If this bulletin was forwarded to you may sign up to receive this bulletin each week by emailing your request to the Committee at [Reform@mail.house.gov](mailto:Reform@mail.house.gov).