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E.P.A. Declines to Reduce the Quota for Ethanol in Cars

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WASHINGTON — The Environmental Protection Agency rejected on Thursday a request to cut the federal government's quota for the use of ethanol in cars, concluding, at least for now, that the national goal of reducing oil use trumps any effect on food prices from making fuel from corn.

The agency's administrator, Stephen L. Johnson, said the mandate was "strengthening our nation's energy security and supporting American farming communities," and that the mandate was not causing "severe harm to the economy or the environment."

The effect of the decision on fuel and food markets is hard to predict. Farmers argued that the jump in corn prices was driven not so much by the demand for ethanol as by growing demand for grain-fed meat around the world and by their own higher costs for diesel fuel.

Recently, high oil prices have led to even more ethanol production than the quota required. On the other hand, rising corn prices made some ethanol operations unprofitable, especially as oil prices started to fall.

The E.P.A. said in its decision that a change in the quota would probably have no effect on production in the next 12 months. If it did reduce ethanol production, the most likely effect, it said, was that the price of corn, recently trading at a little over $5 a bushel, would drop about 30 cents a bushel, and that gasoline would cost another penny a gallon.

But food producers said that high prices for feed had already increased the price of meat, and that they were cutting the size of herds and flocks, meaning that supplies would soon be lower, and prices higher.

"The food inflation that you've seen now, at least in the meat and poultry sector, probably is mild compared to what may be coming in the future," said Joel Brandenberger, president of the National Turkey Federation. Food inflation is now about 8.1 percent a year.

He and others said they would go to Congress to try to seek a reduction in the tax break for ethanol and a cut in tariffs on ethanol imports.

Legislators from farm states applauded the ruling.

The debate over the quotas is a sign of unease over government intervention in energy and food markets and technologies and the unintended consequences that might ensue.

The request to cut the quota had come from Gov. Rick Perry of Texas, a leading cattle state as well as a bastion of the oil business. He made the request in late April and the E.P.A. was supposed to respond in three months, but the agency said it had delayed its decision to evaluate more than 15,000 comments it received.

The rules that the E.P.A. reconsidered on Thursday set a floor for ethanol use, not a ceiling. The floor was not a firm one, because the E.P.A. could issue a waiver if the requirement became "onerous."

Renewable fuel use in 2004 was 3.5 billion gallons, according to the agency — mostly ethanol, which is a form of alcohol, but also some biodiesel, which contains oil from crops. The goal for this year had been 5.4 billion gallons but last December, with the price of oil zooming up, Congress raised the renewables quota to 9 billion gallons for this year. It also laid out a schedule of annual increases that would bring it to 11.1 billion gallons in 2009 and 36 billion gallons in 2022.

The agency has not completed an analysis of the future effect of the mandate, but livestock producers are concerned about what happens as the goals triple. Barack Obama, the presumptive Democratic presidential nominee, has called for even higher goals.

The existing target requires not only more ethanol but also new cars and new filling station equipment.

The long-term hope, backed with generous government incentives, is to make motor fuel from cellulosic, or nonfood, sources. Private companies are feverishly pursuing technologies for using wood chips, wheat straw, waste plastic and even municipal garbage to make ethanol and other liquid vehicle fuels. But none of these is commercially practical now.