This thesis attempts to explain the creation process and dynamics of markets originating from political entrepreneurship, especially as to how we can understand the forces that drive and shape biofuels regulation in the US. In this case study of the biofuels market, I identify who the actors are and what roles they play (and have played) in influencing policy, as well as their main incentives for doing so, and discuss how the current biofuel policy has been shaped through the actions and dealings of these actors. The case study provides background to and origin of the use and production of biofuels, especially ethanol, and utilizes a combined perspective of political entrepreneurship and political economy to explain the life cycle of the ethanol market: how it was created, how it developed, where and how it is today, and what roles the actors played throughout this life cycle. The value of this thesis lies primarily in the new perspective of combining political entrepreneurship and political economy, treating them as complements rather than substitutes, and how this new approach successfully explains the creation of a politically engineered market. I conclude that this combined perspective provides a more elaborate view of the dynamics of the regulatory process and the greater institutional changes that take place through the entrepreneurial roles played by actors in the market.