backgrounder
The Iowa Policy Project

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CLIMATE POLICIES CAN BE FAIR AND IOWA CAN OFFER THE WORLD SOLUTIONS

Leaders and citizens from around the world are meeting in Copenhagen, Denmark this week and next to discuss climate change. As policies form on the international stage in addition to the bipartisan negotiations currently underway in the U.S. Senate, care must be taken to ensure that policies protect all citizens, including the most vulnerable. The state of Iowa provides some good examples for how to move forward and begin to address climate change. Below is a synthesis of several reports that the Iowa Policy Project has authored in the last two years that provide information on crafting fair and progressive climate change policy.

Climate Change Policies Can and Should Benefit All Iowans

The intense debate over ways to address climate change in Copenhagen – and in the coming weeks in Washington D.C. – is vital. We must act to reduce the threat of climate change for all Iowans, particularly those with low incomes. Low-income citizens have fewer resources to adapt to the more frequent heat waves, flooding and droughts forecasted for Iowa if we continue burning large amounts of fossil fuel.[1] That means vulnerable populations will suffer disproportionate ill effects.

Yet some have argued that climate change policies would have a larger financial impact on low-income families and so we should not address this pressing problem. Fighting climate change will necessarily increase the price of fossil-fuel energy products – from home energy and gasoline to food and other goods with substantial energy inputs. It is true that because low-income Iowans consume more energy and energy-intensive goods as portion of their income – which is already stretched thin – they are far more vulnerable than upper-income Iowans to these price increases.[2] They are also least able to afford more energy-efficient alternatives. Fortunately, well-designed, fiscally-responsible legislation can fight climate change effectively while fully protecting these vulnerable households.

The U.S. House passed a climate bill in June that would protect low-income Iowans from these impacts. Fifteen percent of the total consumer relief resources available in the bill would go exclusively to low-income households to compensate them for the higher expenses they will face for energy and energy-intensive goods and services.[3] When combined with the consumer relief that households at all income levels will receive through utility companies in the legislation, this targeted relief is enough to on average fully offset the increased costs that low-income households will face. In Iowa, approximately 579,000 low-income citizens – 20 percent of Iowans – would be eligible for this direct low-income consumer relief.[4]

In contrast, the bill reported out of the Senate Environment and Public Works Committee this November reserved substantially fewer resources (about one-sixth less) for targeted, low-income consumer relief. As a result, some low-income Iowans would be worse off under the bill. The Senate could pass a strong, effective climate bill that is fiscally responsible and fully protects low-income families from the resulting increases in energy prices by restoring the level of protection that the House bill provided. Further, decisions in the U.S. Congress on how to treat low-income consumers will surely play a role in influencing international negotiations.

- *See our June 2009 report for more details on how a cap and trade system would affect low-income Iowans:* www.iowapolicyproject.org/2009docs/090625-LICC-bgd.pdf.
- *Or our comments to the Iowa Utilities Board on the impacts of climate change policy on low-income Iowans:* www.iowapolicyproject.org/2009docs/090912-IUBComments1.pdf, *and* http://www.iowapolicyproject.org/2009docs/091013-IUBComments2.pdf

Iowa a Leader in Renewable Energy and Energy Efficiency

What Iowa has accomplished in advancing renewable energy and energy efficiency is something for the United States to brag about at Copenhagen. For example, although Denmark leads the world, producing more than 20 percent of its electricity from wind energy, Iowa is the U.S. state closest to achieving that benchmark.[5] In 2009, Iowa generates 15 percent of its electricity from wind power.[6] This production places Iowa well ahead of other states and countries.

As of the end of 2008, Iowa was second in the nation in installed wind power capacity. Iowa had installed 2,791 megawatts of nameplate capacity, equal to 11 percent of the nation's total wind capacity.[7] The number of wind turbines operating in Iowa has benefited the Iowa economy; there are nine companies dedicated to producing or repairing blades, towers, turbines and turbine components operating or planning operations in Iowa. Despite the current slowdown in demand for turbines and components, these companies employ or plan to employ about 1,400 Iowans.[8]

- *See our April 2009 report for more details on Iowa's wind production:* www.iowapolicyproject.org/2009docs/090413-windproduction.pdf

Iowa has also historically been a leader in the United States in terms of its energy efficiency efforts. In recent years, Iowa has not been meeting some of its stated energy-efficiency goals, nor its potential to be the national leader in energy efficiency. Nonetheless, we have a strong foundation from which to increase our efficiency efforts.

- *See our March 2008 report on Iowa's energy efficiency performance:* www.iowapolicyproject.org/2008docs/080319-IowaEE.pdf

Increasing efficiency efforts would benefit Iowans' pocketbooks and the Iowa economy. Increasing Iowa's energy efficiency by 1.5 percent annually would potentially create between 3,411 and 4,473 jobs by 2030. These jobs would come directly from increases in energy-efficiency jobs, as well as jobs created in other sectors. If Iowa improves its energy efficiency, consumers save on their energy bills and have more money to spend on other goods and services. The energy industry is not as job-intensive as other industries and when Iowans have more money to spend in other industries, more jobs are created.

- *See our July 2008 report for information on how increasing energy efficiency efforts can improve Iowa's economy:* www.iowapolicyproject.org/2008docs/080716-EE2.pdf

Iowa's existing outstanding wind production and its remaining significant potential for new wind, coupled with the state's potential for increasing its energy efficiency and the resulting positive benefits for our economy, show that Iowans need not fear taking strong steps to address climate change. In fact, while being thoughtful, Iowa should rapidly enact policies that continue to help our renewable-energy production and energy-efficiency savings grow. Iowa should continue to lead and show the world what is possible in addressing climate change.

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[1] United States Global Change Research Program. 2009. Global Climate Change Impacts in the United States. http://www.globalchange.gov/publications/reports/scientific-assessments/us-impacts

[2] Pearson, Beth. Iowa Policy Project. January 2008. A Climate Policy Challenge: Iowa's Climate Responses Need to Consider Low-Income Families. Available at http://www.iowapolicyproject.org/2008docs/080123-climate.pdf.

[3] Congressional Budget Office. June 19, 2009: "The Estimated Costs to Households From the Cap-and-Trade Provisions of H.R. 2454."

[4] Calculated from American Fact Finder ACS 2008 Data (Table B17002), using unrounded numbers.

[5] American Wind Energy Association. 2008. Wind Power – Clean and Reliable. Available at http://www.awea.org/utility/pdf/Wind_and_Reliability_Factsheet.pdf

[6] Iowa Utilities Board. 2009. Personal communication with Darrell Hanson on March 4, 2009.

[7] American Wind Energy Association. 2008. U.S. Wind Energy Projects as of 12.31.2008. Available at http://www.awea.org/projects/

[8] Iowa Department of Economic Development. 2009. Personal Communication with Beth Govoni on March 31, 2009.