



The Iowa Policy Project

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EXECUTIVE SUMMARY

A Climate Policy Challenge: Minimizing Impacts on Low-Income Iowans

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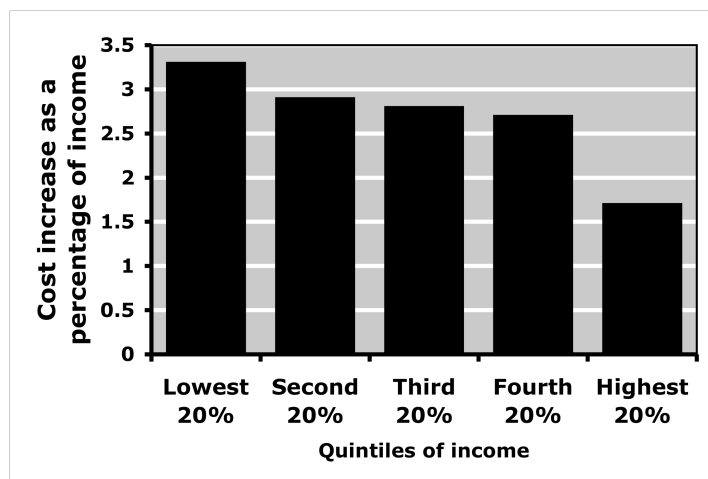
Low-income individuals in Iowa and elsewhere have limited resources to help them adapt to the effects of climate change, which means they face greater threats to their health and well-being. Warmer and more frequent hot weather, heat waves and heavy precipitation will mean an increased risk of mortality, especially for people without adequate housing or access to air-conditioning or transportation. In addition, changes in global crop productivity, water supply and energy needs due to climate change will cause price increases in basic needs such as food, water and electricity. Low-income households spend a greater share of their income on these necessities than do more affluent households. Thus, risks associated with climate change are particularly high for low-income Iowans, who are disproportionately vulnerable to its economic, environmental and social consequences.

The financial risk to low-income households does not stop with direct effects of climate change, but extends as well to the approaches chosen by policymakers to confront climate change. Although swift and strong action is needed at both the federal and state level to address climate change, it also is important to recognize that policies aimed at reducing greenhouse gas emissions can also have disproportionate negative effects on low-income households.

The reduction of greenhouse gases means putting restrictions on the production of energy from fossil fuels and therefore raising the price of that energy. The Center on Budget and Policy Priorities (CBPP) estimates that even a modest, 15 percent reduction in emissions would come with an average annual increase of \$750-\$950 in energy-related costs for the poorest one-fifth of the population.

The Congressional Budget Office has shown that, for households in that lowest quintile of income, energy-related cost increases would consume a disproportionate share of their income. As shown in the graph at right, the cost of emissions reductions alone would take about 3.3 percent of the income of low-income households, compared to just 1.7 percent for upper-income households.

Disproportionate Cost to Low-Income Households to Reduce Emissions

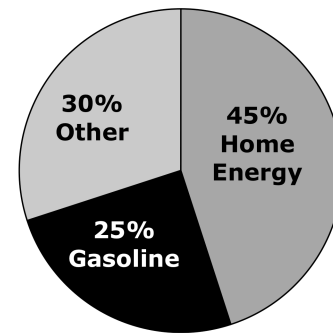


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Many assume these cost increases will show up on home-energy bills, but it's important to recognize that increased energy prices will affect all goods that rely on energy for production or transportation. In fact, only 45 percent of energy-related cost increases experienced by low-income households would be due to home-energy cost increases. (See graph at right.)

Furthermore, cost can prevent low-income Iowans from helping to reduce Iowa's carbon footprint. The high up-front cost of energy-saving automobiles, appliances, furnaces, storm windows and the like makes them unable to take advantage of energy-efficiency technologies. Iowa could combine low-income assistance with energy-efficiency measures to help all Iowans reduce Iowa's greenhouse gas emissions.

**Impact on Low-Income Budgets*
Goes Well Beyond Home Energy**



* Shares of cost increase for poorest 20 percent of population by product category. Source: CBPP.

Innovative Policy Solutions for Low-Income Iowans

Innovative policy choices can help low-income Iowans cope with responses to climate change, such as:

- Expanding Iowa's Weatherization Assistance Program to make the homes of low-income Iowans more energy-efficient.
- Developing minimum efficiency standards for rental properties.
- Providing funding for the retrofitting of rental properties with energy-efficient appliances, insulation, and high efficiency furnaces.
- Establishing a shared savings or zero-interest loan program to make energy-efficient appliances affordable for everyone.
- Designing policies that offset energy-related costs that won't show up on home energy bills.
- Auctioning any emissions allowances made available in a regional cap-and-trade system and using proceeds for renewable energy and efficiency investments and assistance for low-income families.

Conclusion

Building strong partnerships with low-income Iowans on climate change policy is crucial to ensuring that low-income advocates and environmentalists don't end up on opposite sides of the debate over what constitutes effective climate change policy. The shift to sustainable energy solutions can produce significant economic opportunities for Iowa, but these opportunities may be lost if cost impacts on low-income households is used to justify shying away from state leadership on climate-change issues.

Low-income Iowans can take advantage of the economic opportunities offered by state and regional responses to climate change, but only if Iowa continues to take bold steps in adopting a progressive energy agenda. The Blue-Green Alliance estimates that over 9,500 new manufacturing jobs could be created in Iowa as a result of a national commitment to renewable energy technologies. As the nation's 10th-windiest state and fourth-largest producer of wind power, Iowa has a natural economic opportunity in manufacturing of solar- and wind-power components. Iowa's working families could prosper through the creation of quality jobs that make Iowa a national leader in a new, green economy.

Iowa families deserve a bold public response on issues of climate change and energy choices. Policy choices must emphasize sustainability while attempting to assure that all Iowans can afford to take advantage of sustainable energy sources. Leadership already demonstrated on energy and climate-change issues indicates that Iowa will not shy away from the challenge of ensuring that all Iowans share in new energy opportunities.