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March 5, 2002

STUDY: RENEWABLE ENERGY OFFERS ECONOMIC OPPORTUNITIES IN IOWA

MOUNT VERNON, Iowa – Development of alternative energy sources offers opportunities to keep Iowa dollars in the state, and the potential to spin off more economic benefits for the Iowa economy, according to a report released today by The Iowa Policy Project.

“Reducing the amount of out-of-state coal purchased by Iowa utilities is more than an environmental issue,” IPP executive director David Osterberg said. “This study demonstrates there are economic reasons to use renewable energy sources right here at home. We can keep Iowa dollars working for Iowans by expanding our use of renewables, and by continuing to encourage energy conservation.”

Researchers David Swenson and Liesl Eathington of Iowa State University conducted the study, which uses an “input-output” method of analysis to estimate the economic values of transactions among industries, households and institutions.

They estimated effects of wind-energy development, already under way in Iowa; co-firing of switchgrass with coal, which Alliant has tested at its Ottumwa plant; and the savings to homes, businesses and institutions from energy conservation programs already in place. The report examines the direct economic effects, and spinoff effects through related spending, for the three energy scenarios.

“This is a serious illustration that both actual and potential alternatives to energy production can and do leave a big economic footprint in the state,” Swenson said.

Among the researchers’ findings:

- Each \$1 million in direct output, or sales, of wind-energy production or switchgrass produced for energy generates more money through the economy than \$1 million of traditional electric production in Iowa. For wind, the spinoffs from sales of electricity are more than twice as much as those for other, mostly coal-fired, electricity production in Iowa.

- Coal purchases would be reduced by about 1.8 million tons with a combination of wind energy as 3.6 percent of total electric output in Iowa, switchgrass for 5 percent of the capacity of a traditional 900-megawatt coal-fired power plant, and energy-saving programs already in place. At \$15 per ton, that represents almost \$27.5 million in savings available for other purchasing.

- Although switchgrass is more expensive, per unit of heat produced, than traditional forms of energy such as coal, the average cost to the consumer by augmenting coal with some switchgrass would be small – about 2 percent. At the same time, switchgrass production would offer opportunities for Iowa’s rural economy.

■ Energy conservation programs in place free up money for other spending by homes and businesses. This results in about \$53 million in annual sales of goods and services in other sectors of the Iowa economy, thanks to savings in utility bills.

As a result of the researchers' findings, The Iowa Policy Project makes five recommendations to state and federal policymakers:

- Increase the percentage that utilities should purchase or produce from renewable energy.
- Renew federal production tax credits for renewable energy.
- Provide federal Conservation Reserve Program (CRP) payments for land where switch-grass is grown and harvested.
- Encourage energy-efficiency programs that lead to further savings in importation of fuel, especially coal.
- Gather information at the state level from wind generators about the costs of wind-energy production, and ensure reasonable public access to the portions of that information that are relevant to the formation of public policy.

A copy of the full report, "Statewide Economic Values of Alternative Energy Sources and Energy Conservation," and the report's six-page executive summary, are available on the web at www.iowapolicyproject.org.

The Iowa Policy Project is a nonprofit, nonpartisan organization that was founded in the summer of 2000 to produce and disseminate research on a broad set of issues of importance to Iowans. The IPP engages scholars at Iowa's public and private colleges and universities to produce sound, independent research.

All Iowa Policy Project reports are available on the web at www.iowapolicyproject.org.

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EDITORS, NEWS DIRECTORS NOTE:

The study was conducted privately for The Iowa Policy Project and is not an Iowa State University report.

Questions about the study are best addressed by David Swenson.

Questions about the IPP's recommendations are best addressed by David Osterberg.

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