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Low-Income Focus for Climate Change Policy Economic Risks Pose Challenges for Lawmakers

MOUNT VERNON, Iowa (Jan. 23, 2008) — State policies to combat climate change must assure fair treatment of low-income families so that they don't bear a disproportionate share of the cost of reducing carbon emissions.

“This is a time for innovation, not just in ways to cope with climate change, but in finding ways to help Iowa's low-income families cope with our solutions,” said David Osterberg, executive director of the nonpartisan Iowa Policy Project (IPP), and a longtime advocate of sustainable energy policy and student of climate change.

“Global climate change is real, and real solutions will come with real costs,” Osterberg said. “This report illustrates why our choices will be so critical to low-income Iowans.”

The report by IPP research associate Beth Pearson noted estimates by the Center on Budget and Policy Priorities (CBPP) that even a modest reduction in emissions — 15 percent — would be accompanied by an average annual increase of \$750 to \$950 in energy-related costs for the poorest one-fifth of the population.

“It's a big bite of those households' budgets,” Pearson said. “Government data indicate that the impact would be about twice as hard on low-income households as on high-income households in terms of cost as a share of income.”

Policy strategies to reduce greenhouse-gas production will mean restricting the production of energy from fossil fuels and thus higher energy costs. They also may include so-called “cap and trade” policies, which cap polluters' emissions and may provide for the auctioning of permits for emissions. The revenue from such permits could be used to offset costs for low-income households.

Pearson noted the Congressional Budget Office has shown households in the bottom 20 percent by income would see a 3.3 percent cost increase as a result of that 15 percent goal — compared to just 1.7 percent for households in the top 20 percent of income.

Her report notes principles for low-income-friendly climate policy offered by CBPP, and suggests several options for Iowa that would help low-income families deal with policy responses to climate change, including:

- Expanding Iowa's Weatherization Assistance Program;
- Developing minimum efficiency standards for rental properties;
- Funding for retrofitting of rental properties with energy-efficient appliances, insulation and furnaces;
- Establishing loan or savings programs to make energy-efficient appliances more affordable;
- Designing policies to offset energy-related costs not related to home energy; and

- Auctioning any emissions allowances made available in a regional cap-and-trade system.

“All energy consumers will have higher costs due to climate change,” Pearson said. “But it’s important to recognize that these costs will be reflected in prices for basic necessities, such as food, water, gasoline, home-heating and electricity. At low incomes, household budgets are already hard-pressed to cover the costs of those basic needs.

“This makes the risk to those low-income families particularly high with climate change, because they are disproportionately vulnerable to its economic, environmental and social consequences.”

Pearson said it also was important to recognize that it helps the state to assure low-income families can cope with these issues and to be able to take advantage of high-efficiency technology, because that would help reduce the state’s overall emissions.

The Iowa Policy Project is a nonpartisan, nonprofit research and policy analysis organization based in Mount Vernon. IPP reports on job and income trends, budget and tax issues, and energy and environmental policy are available at <<http://www.iowapolicyproject.org>>.

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