

The Climate Gap and the American Clean Energy Security Act

Preventing climate change is the single most important strategy towards closing the Climate Gap. If we can prevent the worst effects of climate change, we protect all Americans, but particularly the minority and poor communities who are most at risk. That's why the American Clean Energy Security Act is an important first step. While this analysis points out important opportunities for how to close the Climate Gap, it does not diminish the fact that the legislation represents real progress towards preventing global warming and the catastrophic consequences for all Americans.

Closing the Climate Gap will require focusing more attention on targeting resources and opportunities for Americans who are most in need and will be hardest hit by climate change. It will also require addressing toxic pollutants that come from the same sources responsible for greenhouse gases. The Act has certain provisions that do exactly this; it has other places where much more could be done.

The following is an analysis of the American Clean Energy Security Act based on the findings of "The Climate Gap: Inequalities in How Climate Change Hurts Americans and How to Close the Gap."

Extreme Weather Events

The Climate Gap report explains the evidence indicating that extreme heat waves will be an increasing problem as a result of climate change. Even today, extreme heat is the most common weather-related cause of death in the U.S., with elderly African-Americans, lower-income households without air conditioning and urban residents unacclimated to heat being particularly vulnerable. Climate change will make this problem worse. The following is an analysis the American Clean Energy Security Act through the lens of how extreme weather events will particularly hurt minorities and the poor.

- **Assistance with adaptation is included, though more assistance is directed to other countries, and domestic investments are not targeted to poor and minority communities:** States that adopt the EPA-approved plan are eligible for funds to be used for extreme weather event programs, including heat waves. The Act also requires the Department of Health and Human Services to plan with health professionals for climate-related health problems. 2.2 percent of revenue from emissions allocation will go toward domestic adaptation, although this is not targeted to low-income or minority communities. 2.9 percent goes toward international adaptation and technology transfers (Norris & Jenkins 2009).
- **The Act's detailed attention to natural resources adaptation should be replicated to assist vulnerable communities to adapt to and prepare for climate change:** This would entail establishing a Vulnerable Communities Climate Change Adaptation Panel as a forum for interagency coordination on community preparedness, planning and adaptation. The panel would develop a strategy for making vulnerable communities more resilient to the impacts of climate change and identify specific actions that federal agencies, such as the Centers for Disease Control (CDC) and Environmental Protection Agency (EPA), should take.

The CDC and EPA would provide technical assistance, conduct research, and furnish decision tools, monitoring and strategies to inform community adaptation strategies. This process would be informed by the establishment of a Science Advisory Board to recommend research priorities, surveillance

strategies, early warning systems and educational outreach efforts. States would be required to develop climate change adaptation plans, including working with county and local jurisdictions to identify vulnerable communities based on demographic make-up, health care access, indicators of the built environment, access to transportation, cooling centers and other factors. State efforts would be funded through a federal Community Climate Change Adaptation and Preparedness Fund.

- **The Act does not specifically address the effect of heat islands, an important reason why people of color and the poor suffer more during heat waves:** The Act could include more geographic specificity, and does not refer to disadvantaged communities beyond the section on transfer payments to consumers to offset higher energy costs.

Air Pollution

The Climate Gap report notes that climate change will make the air we breathe even dirtier. “Justice in the Air,” a study released in April 2009, documented that people of color and the poor already bear a greater share of the burden of air pollution (Ash et al. 2009). This legislation presents an opportunity to address climate change while helping vulnerable communities cope with the worsening air pollution anticipated from climate change. Right now, however, these strategies are not explicitly in the bill. Incidentally, cleaning up dirty air is the only environmental issue with continued traction among American voters, so there are political as well as public health reasons to explicitly consider how to boost the health benefits of greenhouse gas reduction efforts.

We can do this by focusing greenhouse gas (GHG) reductions on sources that also emit the toxic pollution that causes asthma, heart disease and premature death in non-attainment areas. Currently, all reductions in GHG emissions are treated the same regardless of whether it will have high or low localized health benefits — ignoring one of the most important immediate side-benefits of GHG reductions.

We could do better if we included a mix of restrictions and incentives for polluters who operate in neighborhoods with the dirtiest air. The composition of industrial reductions is also important: petroleum refineries, for example, are disproportionately located in mostly minority and poor neighborhoods, and permit trading that forestalls local reductions in these areas could mean lost opportunities for health benefits and higher costs for an already overburdened health system.

- **The Act does not include requirements or incentives for sources located in poor and minority neighborhoods:** Right now, there are no requirements or incentives to reduce GHG from sources also responsible for toxic pollution in low-income and minority neighborhoods.
- **Too many offsets could compromise long-term GHG reductions as well as air pollution reductions in the U.S. overall, particularly in the neighborhoods with the dirtiest air:** The Act allows offsets to be treated as equal in value to emissions allowances, rather than being discounted by 20 percent as initially proposed to require 1.25 offset credits for one emission allowance credit. This will make offsets more attractive and may result in less real emissions reductions (Flatt, 2009). Offsets also increase over time. This is a concern for many environmental justice and mainstream environmental groups. In a letter to Waxman and Markey, a coalition of environmental and social justice groups advocated for the removal of international offsets from the Act (REDD-monitor.org, 2009). They note that, as currently

written, the inclusion of offsets could allow no real GHG emissions reductions to occur until 2026 (International Rivers, 2009).

- **Exempting GHG emissions from the Clean Air Act could prevent needed reductions:** In cases where other emissions from a facility regulated under the Clean Air Act — such as criteria pollutants — were below the National Ambient Air Quality Standards (NAAQS) and the facility found it more cost-effective under a cap-and-trade situation to increase emissions to accommodate increased production, local public health could suffer. The broadest risk under cap-and-trade is not, however, the emergence of new hot spots given that state level regulations on facilities would not be impacted by the Act; it is simply that we will forego public health benefits that could be obtained if we craft emissions reduction policies that also protect people in the neighborhoods with the dirtiest air.
- **Giving away rather than auctioning allowances could widen the Climate Gap:** The Act proposes to give allowances for free to many GHG emitters, especially to those in the power generation sector. Proponents of cap-and-trade suggest that this will not change the incentives to reduce in various sectors – free or paid, allowances will still have value and there will still be an incentive to reduce greenhouse gas emissions. Auction revenues, however, are exactly what we need to provide incentives for additional efforts in the most heavily impacted neighborhoods, particularly if a trade or fee system does not build in any of the co-benefits into the direct price. Foregoing revenues could be a foregone opportunity for improving public health and well-being.
- **Targeting the oil refining sector could have positive implications for the Climate Gap:** Analysis in California suggests that the refineries are much more likely to be located in minority communities and that they often are responsible for significant localized health risks from emissions of fine particulates and air toxics. The national-level report, “Justice in the Air,” likewise points to oil refining as the industry with the second highest disproportionate impact on minority Americans from air toxics. Inducing refineries to clean up even faster through whatever system is adopted could also boost public health benefits in fence-line communities and help close the Climate Gap.

Climate Change Will Increase the Prices of Basic Necessities

The Climate Gap report outlines how Americans living in poverty already spend more of their income on basic necessities than the rest of Americans. The report also notes how climate change, not just climate policy, will cause energy prices to rise, which will have a regressive impact on the poor. In other words, a do-nothing approach to climate change will still mean higher energy prices for minorities and the poor.

The American Clean Energy Security Act tries to cushion price increases in several ways:

- **Allowances to local distribution companies:** The Act gives free emissions allowances to retail gas and electric companies to offset price increases, which is meant to result in fewer price hikes for consumers. The Center on Budget and Policy Priorities pointed out that:

- Some utilities might still try to raise prices, particularly given the uneven power and effectiveness of state regulatory agencies.
 - Sectors without free allowances, such as heating oil, would have even higher price increases, which impact low-income communities that have older heating systems that rely on heating oil.
 - The Act might not be adequate for consumers living in houses without quality insulation.
 - The Act could go further by including a Low-Income Home Energy Assistance Program (LIHEAP).
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- **Energy tax credits and refunds:** The Act proposes to use proceeds from the sale of 15 percent of the emissions allowances to reimburse low-income households for the higher energy-related costs. Norris (2009) optimistically estimates that \$11 billion will be returned to low-income consumers annually. Stone et al. (2009) note that it will, in its current form, offset costs through a tax credit that will function like an Earned Income Tax Credit transfer, phasing out at around \$45,000-49,000 for a family of four. It would also provide refunds for those who aren't part of the income tax system, making monthly payments through Food Stamp mechanisms, but also including some consumers who are outside of the Food Stamps rolls.

The refund amount is one-twelfth of the annual average loss in purchasing power. The consumer cannot collect their full eligibility for both the refund and credit — only one. For example, if the consumer collects the refund for six months, they can only receive 50 percent of their tax credit.

Advocates concerned about the Climate Gap should raise the following questions:

- Whether the tax credit threshold should be raised slightly (Stone et al. 2009) to reflect higher-cost states and financial realities;
- Whether the complex calculations for all these cost-cutting subsidies will be adequate to offset price increases; and
- Whether the efficiency gains from using existing income transfer channels is offset by the failure to include those unattached to the system.

Much of the analysis for this section was compiled based on the Center on Budget and Policy Priorities analysis.

Reduced or Shifting Job Opportunities

The Climate Gap report identifies changes in job opportunities as a result of climate change. Aspects like the Renewable and Efficiency Electricity Standard have been applauded by labor and environmentalists because such measures will help to develop new technologies that will make the U.S. more competitive on the global level (Foster 2009). There are also issues of displacement and questions of how we might target resources to help those on the other side of the Climate Gap.

- **The Act includes language on green jobs and worker transition, but there is no targeting to low-income and minority communities:** The Act creates a program to train, educate and help transition workers into jobs in renewable energy, energy efficiency and climate change mitigation. It provides compensation

and health benefits for workers who lose their jobs due to the effects of the legislation, such as those in heavy GHG-emitting industries. The Climate Gap report discusses how tourism and agriculture jobs are particularly vulnerable to meteorological changes. Workers in these sectors might benefit indirectly from the retraining programs established in the Act. Funds for training might be better targeted toward low-income communities that are on the short end of the Climate Gap.

Again, the American Clean Energy Security Act represents real progress toward addressing climate change. As the bill comes under further discussion, development, and implementation, issues of the Climate Gap – and what more can be done – should be a critical part of the mix.

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