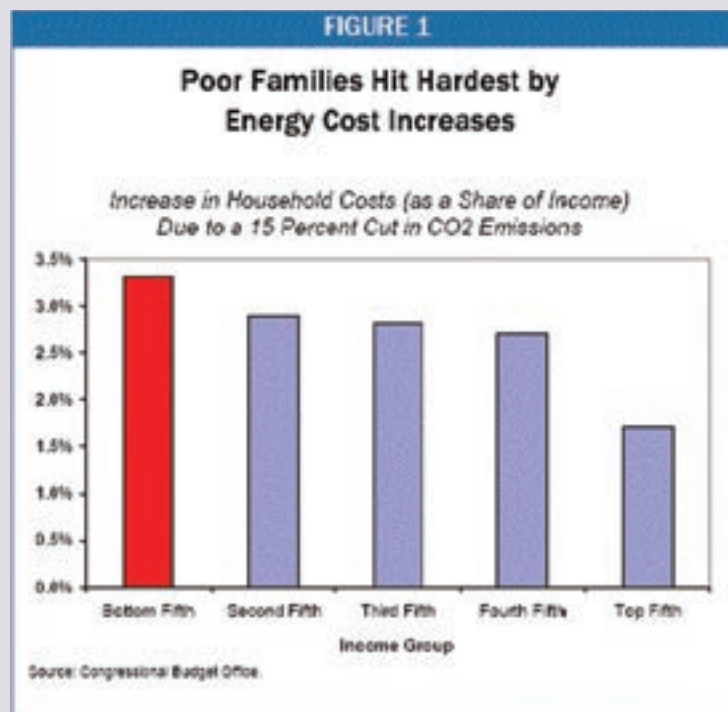


Chapter 6: EQUITY

BACKGROUND

- Lower income households in the United States pay a higher percent of their income for energy than those in the middle and higher income brackets. According to the [Bureau of Labor Statistics](#), households in the lowest fifth of income spend 22.3 percent of their income on energy, compared to 6.8 percent for the average household. Carbon pricing, which would increase the price of fossil fuels and energy-intensive products, will have a more severe impact on low- and moderate-income households than on higher-income households.
- The [Congressional Budget Office](#) (CBO) estimates a carbon-pricing program to reduce carbon dioxide by 15 percent would increase annual expenses by \$680 (2006 dollars)¹ for the average household in the lowest fifth (or quintile) of income distribution. Households in the highest income quintile would pay \$2,180 more each year. But the economic impact as a percent of income would be nearly twice as high for low-income households (3.3 percent) as for high-income households (1.7 percent). See Figure 1.
- The CBO has concluded that there would be a modest macroeconomic impact (equal to 0.2 to 0.5 percent of GDP) from the 15 percent carbon-pricing program. This impact could be held to the lower amount by using revenues from allowance auctions to reduce income or payroll taxes, instead of giving away allowances for free.
- The [Center on Budget and Policy Priorities](#) estimates that funding equal to about 14 percent of the value of emissions allowances would be sufficient to hold the poorest fifth of households harmless from carbon pricing, and would partially offset costs for households with “modestly higher incomes”.



Graph can be found at <http://www.cbpp.org/10-25-07climate.pdf>

(continued on next page)

BACKGROUND *(continued)*

- Policy experts widely acknowledge that carbon pricing will result in disproportionate impacts on some industries, communities and workers – for example, those dependent on fossil energy production and transportation and on the production of energy-intensive goods. In 2002, the [Economic Policy Institute](#) (EPI) published a package of proposals it said would promote the development of new energy efficiency and renewable energy technologies, reduce U.S. carbon emissions by 50 percent, create 1.4 million jobs, eliminate oil imports from OPEC and save money for every American household, all by 2020. At the same time, the EPI predicted these policies would eliminate half the jobs in the U.S. coal industry and result in layoffs in the electric and gas utility industries, in rail transportation and in businesses involved in the production of other fossil fuels.
- Existing public housing tends to lack money-saving amenities such as proper weatherization or Energy Star certified appliances. When energy prices rise, low-income families least able to upgrade their homes are harder hit.
- Tribal lands in the U.S. have been the site of damaging natural resource extraction efforts as well as [nuclear waste storage](#) sites. The economies of certain tribes make the financial benefits of cooperating with these types of land use attractive as they create jobs and bring in needed funds which can be used to improve existing inadequate health, education and utility services.

FRAMEWORK FOR FEDERAL POLICY

- If carbon pricing takes the form of a cap-and-trade regime, it should require that 100 percent of emission allowances be auctioned, with one-third of revenues used to address equity issues. A similar investment should be made if carbon pricing takes the form of a tax.
- At minimum, federal climate policy should fully offset the impact of carbon pricing on energy and energy-related prices for households in the lowest fifth of the income distribution to prevent pushing those households into (or further into) poverty. The offset should be sufficient to compensate households not only for increases in utility bills, but also increases in transportation fuel and energy-intensive products.²
- Hold-harmless offsets for low and moderate income families should increase as carbon pricing increases.
- Energy efficiency and conservation should be considered high priority economy-wide investments to help all consumers cope with higher energy prices.
- Federal investments in energy research should seek to achieve grid parity as soon as possible for renewable energy resources, then to bring their prices below those of fossil fuels to help consumers detach from rising carbon prices.
- The transition to a post-carbon economy is an opportunity to create new industries, jobs and career paths for those the old economy left behind or that the new economy displaces.

EXECUTIVE ACTIONS

1. Direct the Department of Energy, the Small Business Administration and Department of Commerce to propose an **Industrial Transition Assistance Program (I-TAP)**, including technical and financial assistance that would help energy-intensive companies and industries make the transition to a low-carbon economy – for example, by switching their product lines from carbon-intensive to carbon-free goods. One recent precedent is [\\$25 billion in loan guarantees](#) Congress approved in September 2008 to help the U.S. auto industry produce more efficient vehicles.
2. Direct the U.S. Trade Representative to propose a “**border adjustment**” to protect U.S. companies that must compete against products from nations that do not price carbon. The border adjustment could rebate any carbon taxes paid by producers as their products leave the U.S. for such foreign markets, and would impose an equivalent tax on foreign products as they enter the States.
3. Direct the Department of Labor to develop a program and budget request that provides **climate-action assistance for workers** displaced by carbon pricing and other federal policies to reduce greenhouse gas emissions. As a starting point, the department should consider the assistance package framed by the [Economic Policy Institute](#), including these provisions:
 - a. Every worker who loses his or her job in an energy-producing or energy-intensive industry would be provided with compensation equal to two years of full income, including health and retirement benefits;
 - b. Affected workers should be provided up to four years of college education or other professional training, and up to two additional years of full income support for those who take more than two years of education or training;
 - c. Older workers should be provided the option of benefits that create a bridge to retirement.
4. Direct federal agencies that administer [economic development programs](#) to give highest priority to communities most adversely affected by job and business losses related to federal climate policy. These [programs](#) should seek high leverage from state economic development assistance programs and should work to locate the growing number of [wind and solar equipment manufacturing and assembly plants](#) in communities facing losses of tax base and jobs due to carbon pricing.
5. Direct the Department of Health and Human Services (DHHS) to evaluate the **likely impact of climate-related public health problems on low-income populations** and on the cost and availability of health insurance. Direct DHHS to devise recommendations for local governments on measures to help low-income populations cope with impacts such as heat waves, increased allergies, and new disease vectors.³ For example, communities should designate air-conditioned schools or other public buildings as emergency shelters to help families cope in extreme heat emergencies.
6. Direct the Department of Housing and Urban Development (HUD) to encourage and fund projects such as green roof and rooftop solar installations in public housing. Green roofs collect storm water, reduce costs by cooling roofs in summer (versus tar roofs which absorb heat requiring increased air conditioning), create carbon sequestration opportunities and, according to a story on the recently passed [Albany Green Roof Tax Abatement](#), “dramatically extend the life span of a roof.” HUD should also increase efforts to educate public housing residents on free or low-cost weatherization opportunities to reduce utility expenditures.

7. Direct the Department of Agriculture's National Resources Conservation Service to actively engage tribal leaders in efforts to: a) restore areas damaged by extractive industries; b) establish and restore natural mitigation structures such as wetlands to prevent erosion and flooding; and, c) take advantage of federal grant and loan opportunities to grow tribal economies by establishing renewable energy-related businesses that employ local residents to build and install renewable energy systems that can move the communities away from dependence on fossil fuel generated power)

LEGISLATIVE ACTIONS

8. Fund a **national campaign to weatherize the homes of America's low-income families**. Increase funding for the [Weatherization Assistance Program](#) to \$1.4 billion annually. WAP is a highly successful Department of Energy program that stimulates the market for high efficiency appliances and advancing energy efficient building techniques. It helps insulate low-income households from fuel emergencies and results in average household savings of \$358 per year on utility bills. The program returns \$1.54 in energy savings for every dollar [invested in improvements](#). By using local crews, the program also creates entry-level green jobs. Today, only 5 million of 28 million eligible houses have been weatherized.
9. Fully fund the [Green Jobs Act](#) authorized at \$125 million in the Energy Independence and Security Act of 2007 with the goal of training 30,000 underprivileged young people annually in [green-collar trades](#).
10. Create a [Green Jobs Corps](#) within the AmeriCorps program, aimed at the 1.5 million Americans between the ages of 18 and 24 who are neither employed nor in school. The Corps would work on local climate adaptation and greenhouse gas mitigation projects. Participants would receive a stipend while in the Corps plus \$5,000 for each year of service to spend on education, the purchase of a home or the creation of a small business.
11. Approve **100 percent auction of emission allowances** in any cap-and-trade bill. As PCAP proposes in the carbon policy chapter, one-third of the anticipated revenues from initial allowance auctions should be returned to low- and moderate-income households to help deal with higher energy prices and one-third should be dedicated to the related priority of helping industries and communities adapt to the impacts of climate change.⁴ (The final third should be invested in research, development and commercialization of clean energy technologies.)

ADDITIONAL RESOURCES

The many groups working in the country on the issue of equity/environmental justice include:

[Green for All](#), the Oakland-based green jobs project "dedicated to building an inclusive green economy strong enough to lift people out of poverty," has gathered links to numerous [reports and publications](#) on the opportunities of the new economy.

The National Hispanic Environmental Council has published a paper online "Global Warming and Latinos: A Growing Threat to Our Health, Economic, and Social Well-Being." This fact sheet references the higher percentage of low-income families living in areas with poor air quality. Pollution problems could be made even worse if global warming is not addressed quickly. <http://www.nheec.org/LatinoGWFactSheetwithReferences.pdf>

The [National Resources Defense Council](#) has compiled a page of links to a number of environmental justice organizations around the country. It can be accessed at: www.nrdc.org/reference/topics/environ_justice.asp

[Plains Justice](#) is a “public interest environmental law center working for environmental justice and sustainable communities in the Northern Plains region of the U.S.” <http://plainsjustice.org/>

Seventh Generation Fund for Indian Development “work(s) with all the grassroots Native communities we support in revitalization, restoration, preservation, planning and development projects.” www.7genfund.org

[Sustainable South Bronx](#) is an environmental justice non-profit whose mission is: “Environmental Justice Solutions through innovative, economically sustainable projects informed by community needs.” www.ssbx.org

¹ The [Center on Budget and Policy Priorities](#) calculates that in today’s dollars (and with a further adjustment relating to average household sizes), the increase would amount to \$750 annually.

² The Center on Budget and Policy Priorities estimates price increases related to carbon pricing would break down as follows for the typical low-income household: 45 percent for home energy, 25 percent for gasoline, and 30 percent for “other consumption”, including energy-intensive products like food.

³ Redefining Progress has studied the health and other impacts of climate change, and energy and climate policies, on communities of color. See its reports at http://www.rprogress.org/publications/2004/CBCF_REPORT_F.pdf

⁴ The [Congressional Budget Office](#) has evaluated a number of methods for distributing these revenues to low-income households, ranging from reductions in tax rates and payroll tax rebates, to increases in Social Security benefits. The [Center on Budget and Policy Priorities](#) recommends a “climate rebate” delivered through the electronic benefit transfer system and the Earned Income Tax Credit as an efficient way to help low-income households cope, and proposes that it be supplemented by increases in the Weatherization Assistance and Low-Income Home Energy Assistance Programs to help families with above-average home energy costs.