

Climate Change and Low-Income Households: Consumer Relief and Economic Opportunities

Climate change is one of the most serious issues facing our world, and it disproportionately impacts low-income households who are more vulnerable to the negative effects of climate change such as pollution or extreme weather. As a result, the Minnesota Budget Project strongly supports reducing greenhouse gas emissions, whether the solution is a result of federal or regional legislation. However, it is essential that any legislation (such as a cap-and-trade system) holds low- and moderate-income Minnesotans harmless from increased cost burdens, and that new economic opportunities such as green jobs and energy efficiency improvements are accessible to those most in need.

Provide Direct Low- and Moderate-Income Consumer Assistance

Given that a limit on emissions of greenhouse gases will result in higher costs for energy and energy-intensive goods, it is essential that relief be provided to low-income consumers, who spend a larger share of their budget on necessities like energy and food than do higher-income consumers.¹ Revenues should be used to provide full protection for the lowest-income 20 percent of the population and at least partial relief to moderate-income families.

Use Existing Delivery Mechanisms for Consumer Relief

Relief mechanisms will not be successful if they are too complicated to administer efficiently and effectively. Therefore, we favor the use of existing delivery mechanisms such as the electronic benefit transfer system (EBT) and the Earned Income Tax Credit because 1) they allow benefits to be delivered automatically to beneficiaries without creating an additional administrative burden and 2) they are better able to target income-based relief to low- and moderate-income consumers than other mechanisms (such as relying on utility companies).²

Increase Funding for Low-Income Energy Assistance Programs

Even with legislation designed to fully mitigate the increased cost for the average low-income household, some will face higher than average costs due to factors like poorly insulated homes or inefficient appliances. This may be of particular concern to Minnesotans, given high heating needs. Additional funds for programs such as the Low-Income Home Energy Assistance Program (LIHEAP), a program that provides energy assistance to low-income consumers who face utility shut-offs or other hardships, can help those with higher-than-average increases in energy costs.

Provide Access to Economic Opportunities

Legislation designed to address climate change is also expected to generate a new green careers pipeline, creating employment opportunities for local communities and workers. To ensure that those with barriers to employment have access to these careers, legislation should include specific hiring goals targeting low-income people and people of color and should provide sufficient funds for employment-readiness and relevant skill-specific training.

It is also expected that funds will be dedicated to the important solution of improving household energy efficiency. A portion of those funds should be dedicated to making improvements for low-income households, both single-family homes owned by low-income families and multi-family, subsidized housing. Dedicating funds specifically to low-income households relieves significant financial barriers to making energy efficiency improvements while reaching some of the oldest housing stock in our state.

¹ Center for Budget and Policy Priorities, *How Low-Income Consumers Fare in the House Climate Bill*, July 2009.

² Center for Budget and Policy Priorities, *Holding Down Increases in Utility Bills Is a Flawed Way To Protect Consumers While Fighting Global Warming: Direct Consumer Rebates a Better Approach*, June 2009.