



## Iowa Climate Change Advisory Council Recommendations: Warmed Over and Wrong Again

Governor Culver signed Senate File 485 in 2007 establishing the Iowa Climate Change Advisory Council (ICCAC). In December 2008, the ICCAC submitted its final report to the Governor containing a greenhouse gas (GHG) inventory and forecast for the state and policy recommendations designed to reduce GHG emissions. The ICCAC worked with the Center for Climate Strategies (CCS) to develop these recommendations and to estimate the costs and benefits of reducing GHG emissions.

The Beacon Hill Institute (BHI) has previously reviewed the cost-benefit methodology employed by CCS in nine other states: Arizona, Florida, South Carolina, Montana, Washington, Colorado, Minnesota, Maryland, and North Carolina. The institute found three serious problems with the CCS cost-benefit analyses:

1. CCS failed to quantify benefits in a way that they can be meaningfully compared to costs
2. When estimating economic impacts, CCS often misinterpreted costs to be benefits
3. The estimates of costs left out important factors, causing CCS to understate the true costs of its recommendations

Unfortunately for Iowa policy makers, these same three problems plague the ICCAC report, rendering it unsuitable for making any informed policy decisions.

The ICCAC report contains 56 recommended policy actions to reduce GHG emissions. These policy options are classified as falling into five areas: 1) Energy Efficiency and Conservation; 2) Clean and Renewable Energy; 3) Transportation and Land Use; 4) Agriculture, Forestry, and Waste Management; and 5) Cross-Cutting Issues (policies that impact more than one of the above sectors). The ICCAC report quantifies costs for 37 of the 56 recommended options; of these, it is claimed that 19 would generate net cost savings per ton GHG reduced. If all options were implemented, the ICCAC estimates that the net cost would be approximately \$4.8 billion (in present value terms) between now and 2020.

The ICCAC report's net cost estimate of \$4.8 billion diverges from previous GHG mitigation plans in other states that have projected substantial net cost savings. However, because this analysis suffers from the same problems that BHI has cited in previous reviews of CCS cost-benefit analyses even this \$4.8 billion cost is underestimated.

**ICCAC fails to quantify benefits in a way that can be meaningfully compared to costs.** A scientifically sound cost-benefit analysis should clearly spell out all of its assumptions, estimate the physical impacts that a particular policy change will have over time, and then estimate the present value, in dollars, of both the benefits and the costs of the physical impacts. On this basis, a study should be able to conclude whether a given policy change is expected to provide benefits in excess of its costs.

The ICCAC report does not discuss the details of the methodology employed in the net cost (savings) projections of the policy recommendations. In previous state reports where CCS provided technical

assistance, the main intended benefit of implementation of climate change mitigation options was reduced GHG emissions. Similar to the other reports, the ICCAC report fails to estimate the dollar value of the main intended benefit.

The goal, reduced GHG emissions, is measured in purely physical terms instead of dollars, which precludes a comparison of the value of reduced GHG emissions to the costs associated with reducing the emissions. CCS estimates a \$4.8 billion cost (incorrectly), but does not provide any estimate of the value of the benefit, reduced GHG emissions, to weigh the cost against.

**When estimating economic impacts, ICCAC often misinterprets costs to be benefits.** The ICCAC report routinely mistakes costs for benefits. Jobs in particular are erroneously viewed as benefits. In the media release accompanying the report, ICCAC Chairman Gerald Schnoor states, “Some options have upfront costs, but yield savings in the long run. Overall, the options create jobs and support a prospering Iowa economy, as well as reduce greenhouse gases.”<sup>1</sup> Reasonable people can disagree as to whether job creation in clean energy industries constitutes a net economic benefit for the state of Iowa. Unfortunately, the ICCAC report does not clearly explain how the benefits from job creation in clean energy industries will outweigh the costs associated with job displacement in the industries that will suffer from the implementation of the panel’s recommendations.

Additionally, jobs themselves are *not* a benefit; if they were, workers would be paying their employers for the privilege of working, rather than vice versa! It is the value created by performing those jobs that is the benefit, while doing the job is the cost an individual must pay to obtain a benefit. As mentioned above, CCS never quantifies the value of the benefit these jobs would provide.

**The estimates of costs leave out important factors, causing ICCAC to understate the true costs of its recommendations.** Although the ICCAC report does not estimate the monetary value of benefits (reduced GHG emissions), it does attempt to quantify the monetary costs of 37 of their policy recommendations. The report estimates that there would be net costs of approximately \$4.8 billion if its recommendations are implemented. However, the majority of the estimated net cost of implementation is associated with a small number of the recommendations. About half of the recommendations for which costs were quantified are projected to provide net cost savings for the state.

This finding – that mitigating GHG emissions amounts to a free lunch for many of the policies – does not hold up under scrutiny and is an artifact of the ICCAC report’s unrealistic assumptions and incomplete listing of costs.

For policymakers, the ICCAC report offers very little worthwhile guidance. The report fails to quantify the monetary benefits of reduced GHG emissions and its cost savings estimates are implausible if not downright unbelievable. The faulty analysis contained in the ICCAC report leaves policymakers with a skewed basis on which to judge the merits of the ICCAC report’s recommendations for action on the mitigation of GHG emissions.

*“Peer Review – Iowa Climate Change Advisory Council Climate Action Plan,” a POLICY STUDY from Public Interest Institute and Beacon Hill Institute, can be viewed at [www.limitedgovernment.org](http://www.limitedgovernment.org).*

**Endnote:**

<sup>1</sup>“Final Report on Greenhouse Gas Cutbacks Submitted to Governor and Iowa General Assembly,” January 2, 2009, <<http://www.iaclimatechange.us/ewebeditpro/items/O90F20724.pdf>> (January 21, 2009).

*Permission to reprint or copy in whole or part is granted, provided a version of this credit line is used:  
"Reprinted by permission from INSTITUTE BRIEF, a publication of Public Interest Institute."  
The views expressed in this publication are those of the author and not necessarily those of  
Public Interest Institute. They are brought to you in the interest of a better-informed citizenry.*