



Iowa Environmental Council

# IOWA COAL COMMUNITIES: RISKS AND OPPORTUNITIES IN A TIME OF TRANSITION

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Coal-fired electric generation was the dominant source of electricity in Iowa from the mid-20th century until 2019 when wind took over the top spot. As the cost of renewable generation has declined, and the costs of operating coal-fired generation has increased, coal plants in Iowa have closed. The Inflation Reduction Act (IRA) will accelerate the addition of lower-cost clean resources in Iowa and increase the risks to coal plants. This is good for the health of people in these communities, but presents an economic risk that is also addressed by the IRA. The timing is perfect for these communities to begin to plan for a just transition of workers and maintenance of the tax revenues needed for schools, roads, bridges, and other essential services.

Iowa continues to add more clean energy resources and replace coal-generated energy. Coal generation has declined from **84%** of Iowa electric generation in 2000 to **32%** in 2021. There are currently nine utility-owned coal plants remaining employing **613** people. The remaining plants are in the communities of Burlington (Burlington generating station), Cedar Rapids (Prairie Creek generating station), Council Bluffs (Walter Scott energy center 3 & 4), Lansing (Lansing generating station), Muscatine (Louisa generating station), Ottumwa (Ottumwa generating station), and Sioux City (George Neal 3 & 4).

## The Inflation Reduction Act

The ten-year extension of tax credits for zero-carbon resources like wind, solar, and storage will bring down the cost of these resources, boosting the construction of renewable energy and making coal plants less attractive by comparison, increasing the likelihood these plants will be retired. Fortunately, the IRA also includes provisions that make communities currently or recently hosting coal plants prime areas for renewable energy development that can keep jobs in the community and replace lost tax revenues.

### Baseline tax credits in the IRA

- A 30% investment tax credit (ITC) for solar and energy storage technology that meets labor requirements through at least 2032.
- A production tax credit (PTC) of 2.6 cents/kwh for solar and wind that meet labor requirements through at least 2032.
- A 10% bonus for meeting domestic manufacturing requirements for steel, iron, or manufactured components.
- Taxpayers choose between production tax credit and investment tax credit.

### Enhanced Credits for Coal Plant Communities in the IRA

- A 10% bonus for projects located in energy communities defined as the census tract where a coal plant closed after 2009 and any directly adjoining census tracts.
- Solar and storage projects in an energy community meeting labor requirements are eligible for a 40% investment tax credit. A project that also meets domestic manufacturing standards is eligible for a 50% credit
- Wind and solar projects in an energy community meeting labor requirements are eligible for a production tax credit of 3.0 cents/kwh. A project that also meets domestic manufacturing standards is eligible for a credit of 3.2 cents/kwh.

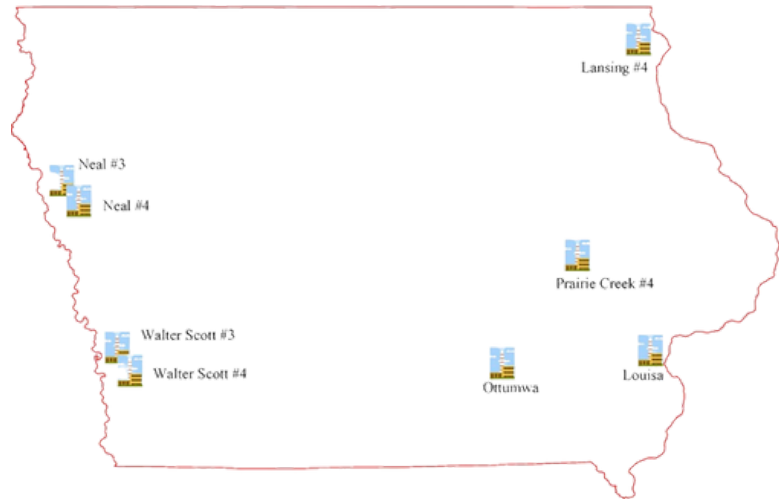
## Baseline and Coal Plant Community Tax Credits in the IRA

Technology Type	Base Credit	Coal Plant Community Credit
ITC (wind, solar, storage)	30% ITC	40% ITC
PTC (wind, solar)	\$0.026 per kWh	\$0.03 per kWh

For more, visit: [www.iafederalfunding.org/itc-ptc-tables](http://www.iafederalfunding.org/itc-ptc-tables)

## Coal Community Impacts

It is important to understand the context of the communities where coal plants are currently located to see how the IRA incentives can assist. [A study by Iowa State University Extension](#), published in 2021, looked at the current economic and tax impact of coal plants on the surrounding area.



The study showed a decline in spending at Iowa's coal plants from a high of over **\$617 million** in 2018, to just under **\$333 million** in 2020 — a reduction of more than **46%** in just two years. Expenditures on salaries and other fixed costs declined by **22.9%** over the same time. The utilities have significantly reduced employment in the past five years, reporting **100** fewer employees in 2020 compared with 2016, a decline of **14%**. The remaining plants indirectly support another **1376 jobs**, and **\$369,969,957** of economic activity — **0.48%** of the total economic activity in the areas studied.

Utility Replacement Tax revenues for the 2020-21 fiscal year were **1.47%** of total revenue for the counties with coal plants, representing **2.90%** of total revenue for schools, and **43.4%** of revenue for townships with power plants in unincorporated areas. The township funding is almost entirely for rural fire protection and EMS service in the township.

**Coal Community Concerns**

Jobs were seen as the most significant local benefit and pollution as the most important drawback to hosting a coal plant. Concerns about a potential closure varied widely across the counties, but job losses and decrease in local tax base were strong concerns for local residents. The table below shows resident survey results:

<b>Concern</b>	Allamakee	Des Moines	Linn	Louisa and Muscatine	Pottawatt- -amie	Wapello	Woodbury	<b>All 7 Counties</b>
<b>Job losses</b>	94%	93%	71%	89%	82%	90%	82%	<b>88%</b>
<b>Possible increases in utility bills</b>	49%	87%	71%	78%	91%	84%	79%	<b>82%</b>
<b>Decrease in local tax base</b>	78%	66%	49%	71%	54%	65%	70%	<b>67%</b>
<b>Other local businesses closing</b>	10%	36%	28%	33%	40%	47%	50%	<b>41%</b>
<b>Decrease in school population</b>	81%	25%	12%	40%	22%	33%	41%	<b>37%</b>
<b>Decrease in home values</b>	42%	26%	16%	37%	22%	40%	43%	<b>34%</b>
<b>Population loss</b>	11%	11%	12%	5%	9%	8%	11%	<b>10%</b>

These community impacts are well-known and a key reason the IRA included bonus credits for clean energy in coal plant communities. Communities should begin to plan and consider how their residents might benefit from the cost reductions, tax revenues, and job base that renewable energy can provide given these attractive enhancements. For more information on the IRA and opportunities for Iowa, visit the Iowa Energy and Infrastructure Funding Hub at [www.iafederalfundinghub.org](http://www.iafederalfundinghub.org).

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