JUNE 2024 THE DOWNPOUR

CLOSING THE GAP: BUILDING CLIMATE RESILIENCE BY MEETING THE DEMAND FOR CLEAN ENERGY SOLUTIONS

PREPARED BY: SAVERLIFE

SaverLife

MADE POSSIBLE BY: THE WELLS FARGO FOUNDATION



The Downpour | A SaverLife research initiative

In 2023, SaverLife launched *The Downpour*, a bold, first-of-its-kind research initiative funded by the Wells Fargo Foundation. This initiative was created to examine the ways in which the effects of climate change intersect with and impact the financial health of people living on low-to-moderate incomes (LMI). Since its inception, *The Downpour* has generated new and actionable insights to inform climate resilience programs that will better serve and protect SaverLife members and the millions of people in America who are living on low-to-moderate incomes: all of whom are feeling the effects of climate change in their financial lives.

Over the course of the last year, SaverLife worked in close collaboration with our members to leverage findings and data in the following ways:

- Published a rich and data-laden report that exposed the ripple effects of climate change on our members' financial health and well-being. <u>Learn more</u>.
- Shared personal SaverLife member stories that featured the ways in which members are working to protect their homes and families from the impacts of climate change. <u>Meet a SaverLife member</u>.
- Hosted webinars that brought researchers and philanthropists together to think through bold climate solutions. <u>Watch the webinar</u>.
- Launched Consumer Finance Community Action (CFCA), a climate resilience partnership with Inclusiv that brings the financial health and climate action fields together. <u>Learn</u> <u>more</u>.
- Informed policymakers on the ways in which LMI communities could be better served by the Inflation Reduction Act (IRA) and how it could better support their climate resilience efforts and long-term financial health goals. <u>Learn more</u>.
- Provided guidance on philanthropy's efforts to invest in meaningful climate solutions that directly and positively impact LMI communities. <u>Learn more</u>.
- Released new data about the ways climate change is creating economic and material hardships for LMI communities and what that means for economic mobility and opportunity. <u>Learn more</u>.

To create this second brief, SaverLife conducted additional analysis to build upon our current understanding of the ways climate change is impacting the financial health of our members. With the passing of the Inflation Reduction Act (IRA) — an act which offers historic funding for intersectional climate initiatives — SaverLife sees a critical opportunity to turn our insights into action and maximize the potential positive impacts of the IRA for LMI households.



The passage of the IRA is a monumental investment to address the threat of climate change, reduce energy costs for American households, and create new economic opportunities from which everyone could benefit. However, we will only see these gains realized if we work to understand the needs and perspectives of LMI households and take action to strengthen their ability to adopt climate resilience strategies that enable them to fully participate in the transition to a clean energy economy.

The goal of this brief is to draw attention to the demand gap for different climate resilience strategies and energy efficiency measures and to highlight new opportunities for addressing climate change while improving economic outcomes for LMI households. This brief utilizes additional data, while offering a deeper dive to build on our previous reports. In particular, it explores how SaverLife members perceive preparedness for climate change, and how access to in-home energy-efficient measures could increase their ability to protect themselves and their financial health from severe weather.

Survey demographics

SaverLife received 1,641 responses to this study, which ran from July - August 2023. The majority – 85% – of survey respondents are between the ages of 30 and 64. Members aged 65 and above make up 4% of the survey response pool, and those under the age of 29 are 10% of the survey sample. Over half of survey respondents identified their race as white (53%), over a third are Black or African American (36%), 7% are Asian or Pacific Islanders, 3% are American Indian, and 13% identified their ethnicity as Hispanic or Latino.

Survey respondents represent regions across the United States, with 40% living in the South, 25% living in the West, and 17% and 18% living in the Northeast and Midwest respectively. Over one-third (39%) of survey respondents reported living in urban areas, 44% live in suburban areas, and 18% live in rural areas. The vast majority (77%) of survey respondents identify as women, while a smaller proportion (20%) identify as men.

We found that 55% of respondents are parents who have dependents under the age of 18 in their home. The majority of households have one to three members, while one-third (33%) of households have four to six members. Over half (54%) of survey respondents rent their homes, while 43% live in homes owned by someone in their household. Additionally, 57% of survey respondents report their annual income is less than \$50,000, while 25% report their annual income is between \$50,000 and \$99,000.



SaverLife members work hard to maintain a positive household balance sheet. But chronic financial stressors like insufficient and inconsistent incomes, high costs of daily necessities, and expensive debt can make it challenging for them and millions of other people living on low-to-moderate incomes, to make progress toward financial health and well-being. On top of these financial stressors, SaverLife members are now navigating the frequent impacts of severe weather and absorbing increasing shocks and uncertainty, while also balancing the financial burdens of climate change against their long-term goals.

Understanding underpreparedness — who is most vulnerable when it comes to climate change?

Planning for climate-related events builds resilience and allows households to better handle the impact — but many SaverLife members are underprepared. Severe weather events have

negative financial impacts on many SaverLife members. While they cannot stop their communities from experiencing climate change, they should have the means to prepare themselves and their households for its effects. And vet, many of our members share that balancing multiple competing financial obligations, like groceries, rent, and debt payments, makes it challenging to plan beyond their monthly or even daily budget. Because of this constant balancing act, it's difficult to plan and prepare for the impacts of climate change. When a climaterelated event strikes, they lack the financial stability needed to withstand and recover from its effects: over half (54%) of survey respondents felt their household is unprepared to handle a severe weather event or disaster, with 22% registering strong disagreement.

This inability to prepare is even more pronounced for SaverLife members within certain subpopulations. SaverLife's research demonstrates that members who are women and routinely have trouble paying for basic needs are more likely to say that their household is unprepared to handle a severe weather event or disaster.







Underpreparedness to handle a severe weather event or disaster comes with grave consequences. Members who felt unprepared to handle severe weather or a disaster experienced an average of four impacts compared to an average of two impacts for members who did not feel unprepared. Having experienced more negative impacts may have left these members feeling more vulnerable.





Meeting the demand gap for clean energy solutions

The IRA has been hailed as the most significant legislation to combat climate change in the nation's history. It provides a vast number of tax credits and rebates so that households can transition to cleaner, greener energy sources. This has potential positive impacts for SaverLife members who are already dealing with fluctuating and unpredictable energy bills. SaverLife member Roshelle describes the disappointment she feels putting her income toward energy bills: "There's nothing like working so hard — just working, working, working — and you're paying the electricity bills, but then, by the time everything's paid, you don't have anything left for yourself. That's discouraging." By reducing the burden of high energy costs, the IRA could play a major role in mitigating the chronic financial impact of climate change on households' budgets and perhaps allow more room in their budgets to prepare for climate change

Our early results suggest that, as currently designed and deployed, potentially transformative policies like the IRA risk negative distributional effects. For example, it's possible renters can take advantage of some incentives like a rebate for a heat pump window unit that they can take with them when moving, but renters are still at a disadvantage. With equitable design, these policies can reduce energy cost burdens for LMI households and increase climate resilience. **Our work now is to design effective programs informed by the needs and priorities of LMI households**.

Understanding the unmet demand gap for energy efficiency measures

While SaverLife members are concerned about the effects of climate change, <u>our</u> <u>research shows</u> that there is little room in their already tight budgets to adopt at-home climate resilience strategies. However, we've also established that if they were more accessible — for both homeowners and renters — there would be a real interest in taking advantage of them to make their homes more energy efficient and prepared for severe weather.

SaverLife members were asked if they had or were interested in solar panels, hot water heaters, more efficient air conditioning, electric vehicles, electric vehicle chargers, more efficient heating systems, home weatherization, more efficient home appliances, flood insurance, renters insurance, and homeowners insurance.



"I'd like to have either a stand-by generator or even a small generator so that, if I did lose my power, I could run the refrigerator and not spoil my food. I'm also thinking about the heat pumps; they are supposed to be very efficient and lower your bill quite a bit. But then again, you have the upfront cost." — SaverLife member, José



For example, only 6% of members indicated they have solar panels but 46% say they are interested in them. The unmet need gap was far greater for energy efficiency solutions that reduce costs and improve quality of life — like home weatherization or energy efficient appliances — than for other types of climate resilience products, such as various types of insurance (Table 1).

Tool	Already have (%)	Do not have but interested (%)	Unmet demand gap (%)
Home weatherization	15	59	-44
Home appliances*	21	58	-37
Air conditioner*	23	54	-31
Hot water heater*	16	48	-32
Heating system*	13	46	-33
Solar panels	6	46	-40
Electric vehicle (EV)	5	40	-35
EV charger	4	36	-32
Flood insurance	13	29	-16
Renters insurance	29	26	+3
Homeowners insurance	37	18	+19

Table 1: the unmet demand gap for energy efficiency measures

* A more energy efficient one.

Interest in energy efficiency measures is even greater for SaverLife members who have experienced three or more impacts from a climate-related event. With greater exposure to climate change, SaverLife members have an even greater interest in resilience strategies (see Table 2).

Table 2: Interest in energy saving measures by number of climate-related economic impacts

Tool	Three or more climate-related economic impacts	Two or less climate-related economic impacts	Р
Home appliances ¹	68	53	***
Home weatherization	67	55	***
Air conditioner ¹	64	47	***
Heating system ¹	56	40	***
Hot water heater ¹	55	44	***
Solar panels	54	42	***
Electric vehicle (EV)	46	37	**
EV charger	42	33	**
Flood insurance	41	23	***
Renters insurance	36	21	***
Homeowners insurance	25	14	***

¹A more energy efficient one. ** p < .01, *** p < .001

SaverLife members are greatly interested in reducing their household's energy cost burdens. This is especially true for households that have experienced a greater number of impacts due to climate change. However, for households living on low-to-moderate incomes, adapting many of the aforementioned climate resilience measures requires substantial upfront investment that may prevent households earning low-to-moderate incomes from increasing their uptake of these products.

Furthermore, renting a home can pose additional barriers to uptake. <u>Renters are largely</u> <u>unable to make property improvements to increase their energy efficiency</u> due to the terms of their leases. This is also because they may not rent their units long enough to experience a positive financial return. Lack of upfront cash and renting a home may exclude households earning low-to-moderate incomes from many of the benefits of the IRA.

Policy implications

Climate change is yet another economic risk factor that threatens SaverLife members' financial health, added to a list that includes low wages, lack of benefits like paid leave, housing and child care unaffordability, medical debt, and more. In this brief, we show that over half of SaverLife members feel unprepared to deal with the impacts of climate change and that many members are interested in but do not have resources to help them transition to clean energy like solar panels and energy-efficient home appliances. It's important we use these learnings to make sure new programs and policies directly serve LMI households and improve their access to clean energy solutions.

Under the IRA, households currently have access to <u>tax credits</u> for electric vehicles (EVs) and chargers, solar panels, solar water heaters, and certain home improvements like door and window replacements. As of 2024, households also have access to <u>Home Energy Rebate Programs</u>, which will be administered by state and Tribal governments. So far, 16 states have applied and one state – New York – has been approved.





How climate-resilience-related tax credits and rebates are structured will determine whether LMI households can participate and benefit.



Electric Vehicles

As of January 2024, EV tax credits for up to \$7,500 are available at point of sale (POS). This means that LMI households receive the credit when they buy an EV and don't have to wait to claim the credit when filing their taxes. However, even the <u>cheapest EVs</u> may be financially out of reach for many LMI households. We know from <u>previous research</u> that transportation is the second biggest expense in the monthly household budgets of people living on low-to-moderate incomes, exceeded only by housing. For example, a SaverLife member with a subprime or near-prime credit score who has \$2,000 for a downpayment on a 2024 Chevy Bolt would expect to pay \$379 to \$400 a month for an auto loan.



Home Energy Costs

Through the Home Energy Rebate Programs, households whose income is less than 80% of <u>Area Median Income</u> (AMI) will be eligible for rebates that cover up to 100% of the costs for various home improvement projects. Those making between 80% and 150% of the AMI in their community will be eligible for rebates of up to 50% of the costs of various projects. For example, a household in Wichita, Kansas making \$60,000 a year (<80% of AMI) would be eligible for a 100% rebate of up to \$1,750 for a heat pump water heater. Fortunately, like EV tax credits, these rebates will be available at POS so people do not need to have the up-front money for a purchase.

But there's a catch. The rebates will only cover costs <u>up to a certain amount</u>. For example, the average cost for a heat pump water heater <u>ranges from \$1,500 to</u> <u>\$3,000</u>. This means that the family in Wichita may have to help pay for their new water heater. States and Tribal nations can seek approval from the Department of Energy to increase the maximum amounts of rebates for LMI households to avoid the cost gap illustrated above.

What remains to be seen is whether the way each state and Tribal nation sets up its rebate program will make it easy for LMI households to apply, how income verification will be conducted, and whether contractors and retailers will increase their prices when the rebates become available. State and federal governments are already trying to figure out how to reduce the <u>administrative burden</u> for LMI households to apply for public benefits; hopefully these rebate programs will not add to the burden.

¹How would you describe your household's financial situation?





Renters vs. homeowners

While renters can take advantage of EV tax credits, many other IRA tax credits and rebates are out of reach because landlords need to be willing to make energy-efficient improvements themselves or allow tenants to do so. The challenge is that the vast majority of renters are responsible for paying their energy bills, which means landlords have no incentive to make improvements in most cases, even though home energy rebates will be available to landlords with 50% or more LMI tenants. Even if their landlord approves, renters may not remain (willfully or unwillfully) in their units long enough to reap cost savings from the upgrades. Some exceptions apply, such as renters who purchase window unit heat pumps starting in 2025, which they can take to their next home.

It's not just that landlords may be unwilling to make energy efficiency improvements; many renters are very transient and already have trouble with housing costs. In a recent SaverLife survey, 23% of members said they had moved in the past year and 21% of members said they were living temporarily with family or friends. Also, the 41% of renters who said they had trouble paying rent in the past year are unlikely to have the money to help cover the cost of home energy improvements (housing data will be expanded upon and shared in an upcoming SaverLife report).

A promising avenue for energy cost savings for renters is to subscribe to community solar programs. The Department of Energy launched the <u>Clean Energy Connector</u>, a digital tool to help participants in the <u>Low-Income Home Energy Assistance Program</u> (LIHEAP) subscribe to community solar programs to achieve home energy cost savings that would otherwise be unavailable to them through the IRA. Also, the <u>Low-Income Communities Bonus Credit Program</u> – part of the IRA – provides a boost in tax credits for community wind and solar projects to increase the supply of community investments from which LMI households can benefit.





Policymakers, government agencies, and private sector companies can better support SaverLife members and other LMI households to make a transition to clean energy by:

- Providing clear information to households about all new and existing energy assistance programs in one place.
- Ensuring that the process of learning about and applying for Home Energy Rebates in each state and Tribal nation is easy for LMI households.
- Increasing the maximum amounts of home energy rebates for LMI households to lessen or eliminate required out-of-pocket costs.
- Ensuring that contractors and retailers do not inflate product and installation prices in response to the availability of rebates.
- Increasing the maximum POS tax credit on EVs for LMI households and allowing transferability to credit unions and other non-predatory lenders.
- Increasing awareness of, enrollment in, and funding for the LIHEAP and subsidized home repair and weatherization programs.²
- Establishing requirements and standards for utility companies' financial assistance programs, including making it easier to establish proof of hardship and preventing cut-offs for elderly persons and persons living with disabilities and/or serious illnesses that require uninterrupted access to electricity.
- Providing stronger incentives for landlords to invest in renewable and clean energy solutions and home weatherization in their rental properties.
- Supporting community investments in energy efficiency and cost savings without requiring large personal investments from individual households³ following Department of Energy guidelines for consumer protection.⁴

Opportunities for further research

This brief indicates that many LMI households are interested in making purchases and investments to transition to clean energy. It also demonstrates that they can benefit from various tax credits and rebates available through the IRA. Accordingly, SaverLife will focus future research on understanding ways to improve provisions and implementation of IRA tax credits and rebates for our members. These topics include:

Energy cost burdens. To understand the potential for energy cost savings from various provisions of the IRA among SaverLife members, it's important to start by understanding members' home energy cost burden (HECB), how HECB varies with respect to home type, member and household characteristics, geography, and how HECB relates to members' financial health and ability to meet other basic needs.

⁴ See https://www.energy.gov/eere/solar/community-solar-basics



² See https://neuac.org/all-parties-letter/

³ See <u>https://www.energy.gov/communitysolar/community-solar</u>

Awareness of and access to home energy and clean vehicle programs. These include new programs (Home Energy Rebates, EV tax credits, community solar) and existing programs (LIHEAP), as well as the financial assistance programs of utility companies.

Barriers to participating in home energy and clean vehicle programs. We will understand members' barriers to and experiences with applying for and participating in these programs, including: inability to absorb out-of-pocket costs, negotiating with landlords, understanding community solar programs, and the administrative burden of applying and verifying income eligibility to improve program implementation from a <u>Customer Experience</u> (CX) perspective.

Experiences covering out-of-pocket costs. IRA tax credits and rebates do not fully shield LMI households from out-of-pocket costs related to buying an EV or a heat pump. We will seek to understand how members absorb these costs, including their experiences in accessing and applying for credit, such as auto loans and <u>property assessed clean energy (PACE) loans</u> among homeowners and costs among renters in subscribing to community solar and wind programs.

The information in this brief and in SaverLife's upcoming research can help government agencies, nonprofits, and companies understand how to optimize the design and implementation of various provisions of the IRA to help LMI households equitably participate in the transition to clean energy. It will also support them to experience meaningful economic and quality of life improvements. This is a pivotal moment; we must seize the opportunity and make real and lasting change for millions of LMI households in this country.

If you would like to learn more about upcoming research or how you can engage, reach out to Mat Despard, VP of Research and Policy at SaverLife: <u>mdespard@saverlife.org</u>.

Appendix

About the SaverLife member panel

SaverLife maintains a member panel of over 7,500 people who are engaged in the SaverLife platform and are representative of SaverLife members in terms of age, gender, race/ethnicity, and income. Member panelists live in all 50 states and the District of Columbia, and they experience financial challenges that are representative of those that working U.S adults living on low-to-moderate income face. Panelists make 80% or less of area median income, earning an annual income between \$25,000 and \$35,000. The vast majority of panelists are women and people of color. A majority are above the age of 24, with 85% of members being between the ages of 25 to 54. These individuals are recruited

via an open call from SaverLife marketing materials (a biweekly SaverLife member newsletter) that invites members to participate in research activities. Participation can result in up to \$20 per month in compensation. It's important to note that the SaverLife member base differs from the general United States population in several respects: they are more likely to earn lower incomes, be a person of color, and have children.

Data analysis

Findings produced for this report used bivariate inferential statistics, including Spearman rank correlation, chi-square tests, analysis of variance (ANOVA), and t-tests. Multivariate models included Poisson regression for count variables (e.g., total number of impacts members experienced) and Probit regression for dichotomous variables (e.g., whether a member felt unprepared for climate change) with marginal effects to produce model-predicted probabilities using census division as a sampling weight. All analyses were run using Stata version 15.

Acknowledgements

This research was funded by the Wells Fargo Foundation. All results, interpretations, and conclusions expressed are those of SaverLife alone and do not necessarily represent the views of Wells Fargo or the Wells Fargo Foundation.

Age • 18-24 (2%) • 25-34 (27%) • 35-44 (38%) • 45-54 (19%) • 55-64 (10%) • 65+ (4%)	Number of Children in Household • None (45%) • One (21%) • Two (17%) • Three or more (17%)	 Educational attainment Less than high school (3%) High school or equivalent (20%) Some college or associate's degree (38%) College degree (24%) Graduate or professional degree (15%)
Gender • Female (77%) • Male (19%) • Non-binary or trans (4%)	Geography • Rural (18%) • Suburban (44%) • Urban (39%)	Housing type • Apartment (29%) • Single-family house (51%) • Townhome (13%) • Mobile home (7%)
 Race/ethnicity American Indian or Alaska Native (1%) Asian or Pacific Islander (6%) Black or African American (36%) Hispanic or Latino (13%) White (53%) Other (3%) 	 Employment status Employed, working 1 job (49%) Employed, working more than 1 job (12%) Self-employed (12%) Not currently employed (18%) Retired (4%) Other (4%) 	Household income • <\$25k (27%) • \$25-35k (17%) • \$35-50k (14%) • \$50-75k (16%) • \$75-100k (10%) • \$100k+ (16%)

Table 3: Sample demographics (N=1,642)

J... SaverLife



Together, we can change the balance.

Learn more: <u>about.saverlife.org</u> The Downpour (<u>about.saverlife.org/thedownpour</u>)

Contact: research@saverlife.org