Attachment 3

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Opinion: Don't be fooled by exaggerated 'benefits' of carbon pipelines

Studies like this new one mischaracterize benefits and ignore costs, particularly environmental ones.

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Key Points

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One of the companies proposing pipelines in Iowa to sequester CO2 from ethanol production commissioned a report from a private firm, Ernst & Young , that vastly overestimates the economic benefits of the pipelines.

This is not the first time pipelines' benefits have been inflated — it has, in fact, happened repeatedly, from the Keystone XL to the Dakota Access pipeline. A report by Iowa State University economist Dave Swenson makes this clear.

These studies are a rhetorical device to convince decision makers and local communities of the benefits of pipelines, but they are not a very useful policy tool because, as I will detail below, they mischaracterize benefits and because they ignore costs, particularly environmental ones. The CO2 ethanol pipelines are different from oil pipelines like Keystone because they critically depend on subsidies from the federal government and California, so the public should have access to credible, science-based information on whether there are more effective ways to spend public money to reduce greenhouse gas emissions, and the environmental costs of all alternatives should be thoroughly assessed.

The Ernst & Young study follows the Dakota Access playbook in overestimating the economic impacts of the pipelines, which are largely transitory and limited to the construction period, and — even then — heavily depend on out-of-state inputs and labor.

The real economic benefits of the pipelines will be much lower than estimated by Ernst & Young because none of the pipe, valves, pumps, and so on, are manufactured in the pipeline states. And the highly skilled welders who would be employed during construction are likely to come from Louisiana, Oklahoma and other places where pipeline industries are clustered, not the Midwest. Swenson, who just retired from Iowa State and is an expert on these issues, confirmed that, for example, with the Dakota Access pipeline, only 16 Iowa-based welders were certified to work on the pipeline.

The transitory nature of the employment benefits in particular is masked by the use of “worker years” over the life of the project instead of assessing the employment effect every year. That approach would show how little long-term effects the projects have on employment in our region. Ernst & Young also overestimates the effects of the pipeline on the economy by using a national model instead of one that considers only the region of construction and operation, and by using that model to estimate tax impacts. The use of the national model inflates the indirect and induced economic activity effects.

The pipelines will have minimum positive economic impacts once they are installed, but the risks and long-term effects on land will be long-lasting. The bottom line is that this commissioned study overestimates the benefits and has nothing to contribute to the issue of costs: monetary costs of the subsidies that would fall on Iowans as taxpayers, health risks to human and animals, and environmental costs to the land.

Last but not least, let us consider the elephant in the room. The pipeline will provide a rationale to keep growing corn and using it for ethanol for a long time. The industry and the Register’s editorial board are well aware that the future of corn ethanol is not bright. Ethanol is a complement to gasoline, not a substitute for it. Half of Iowa corn acres and a third of US corn acres (over 30 million) go to produce 15 billion gallons of ethanol, about 10% of US consumption before COVID-19. This is the reason why we have the E10 mandate in the Renewable Fuel Standard.

The US has about 320 million acres of cropland overall. It is pretty obvious corn ethanol isn't scalable as a gasoline substitute, so its fortunes are tied to it. We should be seriously discussing ways to diversify Iowa’s agriculture away from corn, not invest resources in a technology that contributes to climate change and is not going to be economically competitive in the long term. It is unconscionable to even consider the use of public money and eminent domain for such projects.

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