The Fertilizer Institute

Nourish, Replenish, Grow

September 27, 2011

Mary Nichols
Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814
(Via electronic mail delivery)

Re: Comments on the Second 15-day Notice of Public Availability of Modified Text for the Proposed California Cap on Greenhouse Gas Emissions and Market-Based Compliance Regulation, including Compliance Offset Protocols

Dear Chair Nichols,

The Fertilizer Institute (TFI) would like to thank you and the California Air Resources Board (ARB) for the opportunity to comment on the proposed AB-32 cap-and-trade rule. As you know, the rules you and ARB are developing are very important to the nation's agriculture sector.

TFI is a 501 (c) (3) non-profit organization that represents the nation's fertilizer industry including fertilizer producers, importers, retailers, wholesalers and service providers. TFI's members in California and across the United States produce ammonia, urea, nitric acid, and phosphoric acid ─ all manufacturing processes identified by ARB as greenhouse gas emission (GHG) sources.

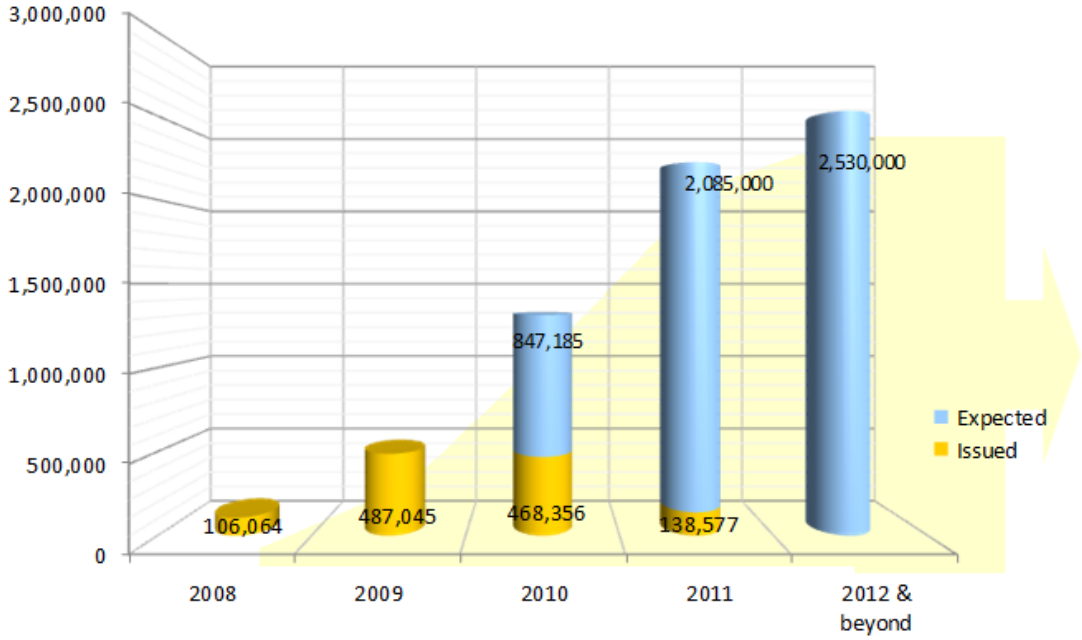
TFI would like to commend ARB for its decision to evaluate agricultural protocols for compliance purposes as outlined in the August Board meeting presentation. Agricultural soil management accounted for over 200 million metric tonnes of carbon dioxide equivalent (tCO2e) and nitrous oxide emissions from nitric acid production accounted for over 21 million tCO2e in California and the United States in 2009[1]. There are numerous opportunities to reduce these GHG's in California and the United States that are real, measurable and verifiable with significant environmental benefits. In particular, TFI recommends ARB review and adopt two protocols for compliance purposes during your protocol review in 2011/12 – the existing Climate Action Reserve's (CAR) Nitric Acid Production Protocol and TFI's own 4R Protocol to be completed next year.

[1] U.S. Environmental Protection Agency. *2011 U.S. Greenhouse Gas Inventory Report*. Washington, DC, 2011.

Support for Review and Adoption of the CAR Nitric Acid Production Protocol

The nitric acid sector is currently at the forefront of environmental stewardship through the reduction of GHGs in commercial and organic fertilizer manufacturing. TFI has a substantive interest in this initiative as we represent eleven nitrogenous fertilizer companies with fifty one (51) nitric acid production facilities across the United States. Total nitric acid production from TFI member companies is approximately 25,500 tons of nitric acid per day (tHNO3/day), or roughly 18 million tCO2e released in 2009. TFI's membership encompasses greater than ninety percent of nitric acid production in the United States.

Nitric acid plants can be large GHG emitters through release of nitrous oxide (depending on the type of pollution abatement system historically implemented) in the production process. Fortunately, the development of the CAR Nitric Acid Production Project Protocol has allowed five projects to develop voluntarily that will generate 2 million offset credits per year this year and over 2.5 million offset credits by 2012. In addition, there are a number of other facilities planning additional projects using the CAR Nitric Acid Production protocol. The figure below demonstrates the current and projected GHG reduction capacity from the nitric acid sector from five *existing* CAR registered projects.



It is important to note that the nitric acid industry participants can guarantee the offsets to the end buyer and are very comfortable with the requirements of AB-32 § 95985 - Invalidation of ARB Offset Credits. The offsets generated from N_2O destruction are the most verifiable offsets achievable.

Currently there are two nitric acid facilities in California that supply the fertilizer production industry with feedstock to make nitrate based fertilizers. Preliminary discussions with ARB staff have highlighted early support for adoption of the protocol with potential changes to how production facilities would be included in the overall GHG capped sectors. TFI looks forward to engaging ARB on this issue in the future.

Support for Review and Adoption for the TFI 4R Protocol

TFI is currently developing a new, comprehensive field protocol based on the "4R" nutrient stewardship system (using the right nutrient source at the right rate, right time and right place). This protocol should also be reviewed and adopted for compliance purposes to ensure the agriculture sector is working to develop long-term solutions to reduce sectoral GHG emissions.

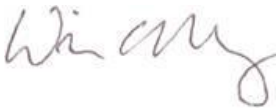
TFI's 4R protocol is aimed at reducing GHG's from agricultural nutrient management (i.e. fertilizer field application) in a comprehensive, quantifiable and verifiable manner. TFI's process is aligned with both the Canadian and Iowa/Illinois Nitrous Oxide Emission Reduction Protocols and calls for stringent requirements to ensure the highest quality of offsets. Quality is maintained through detailed descriptions of growers' past and future activities and by utilizing an output-based approach and regional coefficients calculated via USDA GHG quantification methods and tools. The protocol was designed according to technical recommendations given by the Technical Working Group on Agricultural Greenhouse Gases (T-AGG). Finally, the protocol pledges to remain technology neutral, guaranteeing the acceptance of alternative approaches such as organic, dynamic or conventional application methods.

A key additional benefit from TFI's 4R protocol is that it is focused on changing farmer behavior through the 4R stewardship education program. The protocol is being tested, through USDA grant funding, on Iowa/Illinois producers in corn-bean rotations. TFI is playing a leading role in development of the protocol using its expertise on serving on the USDA Agricultural Air Quality Task Force which provides recommendations on emerging regulatory issues related to agricultural air quality for USDA. TFI also serves on the board of the Conservation Technology Innovation Center, an organization devoted to educating and increasing uptake of nutrient and conservation based practices such as no-till and low-till systems including cover crops, buffer strips, and 4R nutrient management.

In conclusion, the fertilizer industry is demonstrating strong leadership in environmental stewardship within the agricultural sector. The industry recognizes the potential impacts of improper nutrient management and is promoting uptake of 4R nutrient management and site-specific conservation practices. Accepting CAR's Nitric Acid Production Protocol and ultimately the proposed TFI 4R nutrient management protocol would be a win-win for both California's agricultural producers and regulated entities under AB-32.

If you have any questions, please contact me at (202) 515-2706, or via email at wcherz@tfi.org to further discuss these comments.

Sincerely:



William C. Herz

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