

**California Citrus Mutual
California Floral Council
California Cotton Ginners and Growers Associations
California Grape & Tree Fruit League
Fresno County Farm Bureau
Nisei Farmers League
Western Agricultural Processors Association**

January 11, 2010

Ms. Lucille Van Ommering
California Air Resources Board
1001 I Street
Sacramento, CA 95812

RE: Comments on Preliminary Draft Cap-and-Trade Regulation

Dear Ms. Van Ommering:

On behalf of the members of the above mentioned agricultural organizations, we appreciate the opportunity to submit comments on the Preliminary Draft Cap-and-Trade Regulation that was released for public comment on November 24, 2009.

Agriculture plays an important role in California's overall greenhouse gas strategy. A productive agriculture industry in California will help insure that agricultural lands are not prematurely converted for development and emission sources are not shifted to other parts of the country or the world. Greenhouse gas regulations that do not take into account all aspects needed to have a viable agricultural industry will not help California with its reduction goals and will contribute to a per unit increase in emissions in countries that are unregulated or less efficient.

Allowances vs. Auctioning

California agriculture and the first processing facilities that are absolutely necessary to sustain a viable industry are subject to not only interstate competition, but also competition worldwide. Global competition from countries outside the U.S., drive market prices because their production costs are much lower because of lower energy, labor, and regulatory costs. California agriculture is only able to compete in these markets through increased efficiencies and producing more with fewer inputs than many of our competitors. This increased efficiency means we emit less greenhouse gases for the food and fiber that we all need. We achieve all of this while under the most stringent environmental standards. Increases in energy prices negatively affect the most efficient producers here in California and favors less efficient and less regulated producers in other parts of the world. Therefore, we strongly urge you to dismiss the

Economic and Allocation Advisory Committee's recommendation for 100% auctioning and we support free allowances not only for energy-intensive, trade exposed industries, but for the entire system.

Lowering of Threshold

The agricultural community is strongly opposed to lowering the threshold from 25,000 mtco_{2e} to 10,000 mtco_{2e}. The Scoping Plan outlines that the Cap-and-Trade program will cover *large* industrial facilities and the current level captures 85% of the stationary emission sources.

Lowering that threshold will significantly increase the economic burden to a large number of small sources while achieving very little in the form of reductions. We believe that ARB should focus on where they can get the most cost effective emission reductions and not unduly burden small industrial facilities with increased regulation costs and increased staffing costs to comply.

Offsets

Emission offsets are a vital tool to achieve cost effective emission reductions for the entire system. In order to create offset credits, an entity must go through a thorough process to ensure that the credits are real, permanent, surplus and enforceable. Credits which meet CARB's standards should be allowed to be used by sources needing to comply. Limiting the amount of offsets, will shrink the amount that can be purchased and subsequently lower the value of the generated offsets. This will discourage entities to reduce emissions on a voluntary basis.

In closing, the groups listed above appreciate that opportunity to comment and look forward to increased dialogue with staff on the development of the Cap-and-Trade regulation. We look forward to meeting with you about our comments and remain committed to working with you on a regulation that will help California and California agriculture meet California's AB 32 requirements. We strongly believe that we can achieve the AB 32 goals while at the same time avoid unnecessary economic hardship and keeping efficient and productive businesses from leaving California. If you have any questions on our comments please contact Casey Creamer at (559) 252-0684.

Sincerely,

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