



**California Cotton Ginners and Growers Associations
Western Agricultural Processors Association
1785 N. Fine Avenue
Fresno, California 93727**

July 13, 2010

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

RE: Comments on Cost Containment and Offsets

Dear Ms. Van Ommering:

On behalf of the California Cotton Ginners and Growers Associations and the Western Agricultural Processors Association, we appreciate the opportunity to submit comments on the Cost Containment workshop that was held on June 22, 2010.

Cost Containment

The most effective way to control costs in a Cap-and-Trade system is to avoid any unnecessary costs up front in the design. As major energy ratepayers, the agriculture community is heavily dependent on reliable and low cost energy sources in order to compete in the world marketplace. We believe that an auctioning system will add extremely high costs to regulated entities and those costs will be passed through the system to the end users in the form of higher utility rates. The design of the Cap-and-Trade program should be through an output based free allocation, which will avoid billions of dollars in costs to California businesses. The allocation strategy is by far the most important aspect of any cost containment strategy. Strategies to release reserves or higher use of offsets may also help to deter costs, but the free allocation of allowances is where regulated entities and ultimately the ratepayers will see the biggest benefits. We believe that an output based free allocation Cap-and-Trade system will achieve the objectives of AB 32 in the most cost effective manner.

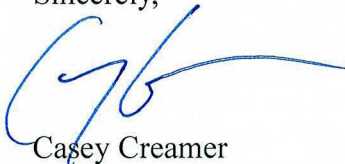
Offsets

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 additional, 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, we 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, I can be reached at (559) 252-0684.

Sincerely,

A handwritten signature in blue ink, appearing to be 'Casey Creamer', with a long horizontal flourish extending to the right.

Casey Creamer
Vice President