California League of Food Processors

November 6, 2008

Mr. Chuck Shulock
Chief
Office of Climate Change
California Air Resources Board
1001 I Street, Sacramento, CA 95812

Dear Mr. Shulock:

The California League of Food Processors (CLFP) has reviewed the California Air Resources Board's Economic Evaluation Supplement of the Climate Change Scoping Plan and has several comments to submit for your consideration.

The California Climate Change Scoping Plan outlines one of the most ambitious regulatory projects ever undertaken by California or any other state. The initiative will transform virtually every sector of the California economy. Meeting the 2020 greenhouse gas (GHG) emissions target will require changes in regulations, technologies, housing patterns, business practices, and how people and goods are transported within the state. All of these changes will have to occur in a relatively short time frame. The question at hand is whether this transformation will promote, hinder, or have no effect on the growth of California's economy.

CLFP appreciates the significant effort expended to date by ARB to evaluate the potential economic impact of the Scoping Plan. However, CLFP finds the analysis to be incomplete and potentially misleading to the general public. CLFP's main concerns can be summarized as follows:

- **ARB's economic analysis greatly underestimates the cumulative effect of significantly higher energy costs on businesses and consumers.** To reach the 33 percent Renewable Portfolio Standard goal by 2020 the utilities will have to purchase large quantities of solar, wind, geothermal, and biomass power likely at costs well above conventional power sources. To a significant extent the infrastructure necessary to transport renewable power to the electric grid does not exist, and construction of that infrastructure will face significant economic, logistical and environmental challenges.

  In addition, energy costs will likely increase due to increased competition among utilities for out-of-state natural gas and hydro based power sources, and utility cap-and-trade compliance costs that will be passed on to all consumers. Higher

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energy prices will have a substantial negative effect on energy intensive businesses like food processing.

Increasing the use of renewable power may be a laudable environmental goal, but CLFP believes that the net effect of these factors on energy costs will be higher than projected by ARB and that these added costs will be a drag on the entire economy.

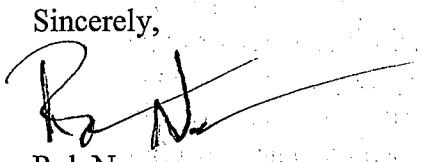
- **ARB is overestimating the potential gains in energy efficiency that can be achieved in a cost-effective manner**. According to a recent report by the American Council for an Energy-Efficient Economy, California ranks first in the nation in terms of energy efficiency. Even with a rapidly growing population energy use per capita in California has declined in recent years. Businesses across the State have invested in energy efficiency, and these efforts would continue even in the absence of AB 32. As a result much of the low-hanging fruit with respect to industrial energy efficiency has been harvested, and many of the remaining types of projects may be cost prohibitive even if energy prices rise significantly.

- **Implementation of AB will likely could increase food prices, which will have a disproportionate impact on economically disadvantaged households.** The food processing industry is the third largest industrial consumer of natural gas and the fifth largest industrial consumer of electricity. Seasonal fruit and vegetable processors use very large amounts of energy to clean, cook, and store products and to sanitize facilities. The industry has already made major investments in energy efficiency projects. In many cases significant further reductions in energy use will come at a very high price, which may not be financially viable for an industry that operates on tight margins. So, to a great extent higher energy prices that result from AB 32 regulations will likely be passed on to consumer. This may pose a real burden on low income households that spend a higher proportion of their income on food.

To address these and other key issues ARB should ensure that its economic analysis is subjected to rigorous peer review by independent economists to ensure that the analysis is accurate and complete. All sectors of the California economy must be confident that the full long-term consequences of AB 32 have been thoroughly evaluated and quantified.

CLFP appreciates your consideration of these comments.

Sincerely,



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