

**California Cotton Ginners and Growers Associations  
Nisei Farmers League  
Western Agricultural Processors Association**

August 11, 2011

Mr. Robert Fletcher  
Deputy Executive Officer  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95812

**RE: Comments on Cap-and-Trade 15-Day Modifications**

Dear Mr. Fletcher,

On behalf of the members of the above mentioned agricultural organizations, we appreciate the opportunity to submit comments on the Cap-and-Trade 15-Day Modifications. We remain concerned about the increased fuel, electricity, and other input costs that will be passed down to farmers and ranchers. We also have concerns and questions about several of the specific 15-Day modifications concerning the allowance allocations. They are summarized below by topic or section.

**Food Processing in the Cap**

An area of great concern to our growers is the increased compliance costs that will be passed down to them by capping the food processing industry. These compliance costs will be significantly more burdensome because of the seasonal nature of the operations. Other facilities in the cap run year round and have more certain operation schedules and additional certainty to make large capital investments. Planning for allowance costs and allowance needs will be highly uncertain based on the yield of the incoming crop which can be very unpredictable. Margins for agriculture production are also very low, especially when products haven't even reached the consumer level. Considering the potential costs for the sector, the seasonality of the operations, the margins for the products, and the fact that ultimate costs will be absorbed by the farming community with no outlet to recover these costs, we ask that the food processing sector be excluded as a capped sector. The sector will continue to achieve cost effective ghg reductions without the unnecessary costs of the program.

**§ 95870. Disposition of Allowances**

Section (d) has an increased allocation to electrical distribution utilities from 89 to 97.7 million metric tons CO<sub>2</sub>e. This increase has the possibility of decreasing the allocations to industry assistance. It is not clear why this increase has occurred and what the potential effect it could

have on industrial facilities. Also, section (e)(3) has an addition that in the event of a shortfall in available allowances, the industrial covered entities would only get a prorated amount of the available allowances after (a) through (d) are distributed. It is unclear why the industrial sector must bear the entire shortfall. A more equitable distribution of the shortfall would be to prorate the shortfall among sections (a) through (e). A spreadsheet that simulates the available allowances for sections (a) through (e) based on the latest reported emissions data would be helpful for regulated entities to better understand potential shortfalls. We ask that ARB make such a spreadsheet available to the affected sectors prior to the release of any further modifications.

#### **§ 95852.2. Emissions without a Compliance Obligation**

Section (a)(5) indicates that *“Agri-biodiesel derived solely from virgin oils, including esters derived from virgin vegetable oils from corn, soybeans, sunflower seeds, cottonseeds, canola, cramble, rapeseeds, safflowers, flaxseeds, rice bran, mustard seeds, and camelina, and from animal fats.”* There is no definition of virgin oils included in the definitions section and this makes it unclear what oils would qualify under this section. We ask that ARB include a definition of “virgin oils” with an explanation for the rationale for excluding oils that are not “virgin.”

#### **§ 95857. Untimely Surrender of Compliance Instruments by a Covered Entity.**

We appreciate the changes staff made in Section (d)(1)(a) where three-fourths of allowances for an untimely surrender will be moved to the Auction Holding Account instead of the Allowance Price Containment Reserve. The change will ensure that compliant facilities will not be penalized by higher allowance prices due to allowances being removed from the auction and placed in the higher priced Reserve.

#### **Industry Stakeholder Advisory**

We support and encourage a stakeholder advisory committee to provide continual and thoughtful feedback to CARB as the program rolls out during the next few years. This committee should include representatives from capped industries as well as representatives from the agricultural sector.

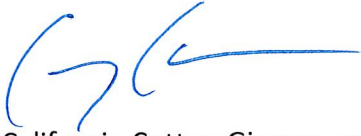
#### **Economic Analysis**

We still believe that a thorough microeconomic analysis of the costs to industries in California is needed. We ask that the costs of the program to regulated entities continue to be updated as the program moves along. Economic impacts to labor, especially in the rural communities where agricultural production is a major employer, needs to be highlighted.

In closing, we thank you for the opportunity to comment and appreciate the staff’s willingness to work with us on issues that are important to keep agriculture a viable industry in California.

Our producers and processors are committed to energy efficiency and producing more with less as they have been leaders in these areas for many years. Agriculture will continue to lead the way in efficiency with or without costly mandates because it is the only way to compete in foreign markets. We hope that we can work together to help ARB meet its GHG mandates without causing undue harm on the leading economic driver in California.

Sincerely,

A handwritten signature in blue ink, consisting of a stylized 'G' followed by a horizontal line.

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