



We Help Bring California's Goodness to the World

TO: Mary Nichols, Chair
Richard Cory, Executive Director
Rajinder Sahota, Industrial Strategies Division
California Air Resources Board
1001 I Street
Sacramento, CA 95814

FR: John Larrea, Director Government Affairs
California League of Food Producers

Date: November 30, 2018

RE: Comments on the 15-Day Change Proposed Amendments

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The California League of Food Producers (CLFP) continues to support CARB's regulatory package of proposed changes to the cap-and-trade regulation and the mandatory reporting regulation. CLFP represents 47 industrial food processors in California twenty-one of which have facilities covered by the cap-and-trade program and who have been participating in the CARB rule development process since its inception.

The primary focus of the proposed amendments is cost containment as instructed by AB 398, an issue that is of paramount concern for food processors given the expected increase in compliance obligations post-2020.

CLFP believes that the proposed regulatory package meets the mandates under AB 398 and strengthens the program overall. We support:

- CARB's proposed adjustment to the assistance factors for the third compliance period. CLFP believes that this change is necessary in order to provide a smooth transition into the fourth compliance period. Moreover, a failure to align assistance factors with the rest of the program going forward frustrates the need for certainty, threatens program stability, and is likely to have unforeseen consequences going forward.
- CARB's approach in the development of the price ceiling. CLFP believes that proposed price ceiling meets the requirements mandated under AB 398 and is likely provide

effective cost containment protections without increasing compliance costs or undermining the environmental integrity of the cap-and-trade program overall.

- CARB's continued use of a market-based program, including the use of high-quality carbon offsets in the cap-and-trade program. CLFP views offsets as critical component in achieving the statutory GHG emission reductions at the lowest cost possible – as mandated under California's climate legislation

In addition to these points, CLFP continues to urge CARB to increase its efforts to ensure that flexibility is a prominent part in the application of the cap adjustment factor (CAF) analysis. The current CAF for food processors, when coupled with increasing compliance and operational costs attributable to other market and supply factors, arguably nullifies the effectiveness of cost containment efforts and looms as a major threat to California's food processing industry well into the next decade.

The greenhouse gas emissions from the food processing sector represent less than one-half of one percent of the total state-wide greenhouse gas emissions. Left as is, the imposition of the current CAF will impose an unnecessary economic burden on the food processing sector and, through them, the communities in which they operate. Communities, that for the most part, have been identified as disadvantaged under the CalEnviro Screen.

CONCLUSION

CLFP urges CARB to move the regulatory package as proposed as expeditiously as possible. The amendments contained in the proposed regulatory package and this 15-day change notice provide needed adjustments that will provide the certainty that obligated entities require in order to plan for operations. CLFP members have invested substantial amounts of capital in compliance costs and new technologies in an effort to comply with the state's ambitious environmental goals. This regulatory package will provide the necessary certainty and balance going forward.

CLFP looks forward to working with CARB throughout the stakeholder process.