The Honorable Mary D. Nichols, Chairman

California Air Resources Board

1001 “I” Street

Sacramento, CA 95812

Re: Comments of Olam Spices and Vegetables, Inc. on CARB’s Proposed Amendments to the Cap-and-Trade Regulation

Dear Madame Chairman:

Olam Spices and Vegetables, Inc. (“OSVI”) submits these comments on the proposed amendments to the California Cap-and-Trade Regulation (“Proposed Amendments”), as set forth in the September 4, 2013, Proposed Regulation Order, which will be considered by the California Air Resources Board (“CARB”) on October 24, 2013.

**I. Summary**

OSVI appreciates CARB’s efforts to develop product-based benchmarks (product benchmarks) that reward companies for taking action to produce goods more efficiently. However, the proposed product benchmarks for dehydrated garlic and onion products included in the Proposed Amendments currently under consideration appear to be in need of refinement and/or correction. Specifically, OSVI is concerned that the numeric values proposed by CARB significantly understate total energy (and emissions) required to produce dehydrated garlic and onion products. As specifically set forth below, the proposed amendment language should be amended to substantially increase the product benchmarks for garlic and onions.

Additionally, the public record does not appear to contain all of the information needed to fully describe the methodology and data sets that CARB used to arrive at the proposed product benchmarks for garlic and onions. With access to such information, OSVI would be able to provide more specific comments on the proposed product benchmarks. The spreadsheet(s) used to calculate the proposed product benchmarks should be included so that those affected can more fully understand CARB’s overall methodology.

**II. Background**

Olam International is a leading global integrated supply chain manager and processor of agricultural products and food ingredients, supplying various products across 16 platforms to over 12,300 customers worldwide.  From a direct presence in more than 65 countries with sourcing and processing in most major producing countries, Olam has built a global leadership position in many of its businesses, including Spices & Dehydrates, Cashew, Cocoa, Coffee, Rice, Cotton and Wood Products.

As an international food processor, it is very clear to Olam that the food processing sector is highly trade exposed and emissions intensive.

OSVI operates several California facilities including a 62-acre facility in Gilroy engaged in dehydration, milling and packaging of dehydrated onion and garlic products.

**III. Recommended Changes to the Proposed Amendments**

A. The product benchmarks should be increased substantially for onion and garlic to more fully and accurately reflect the actual energy use and emissions associated with producing these products.

OSVI compared its emissions and production in the baseline years (2008-2010) in order to produce a comparative product benchmark for garlic and onions specifically for OSVI’s Gilroy facility. OSVI then compared allowance allocations in historic years using:

(i) CARB’s proposed product benchmarks,

(ii) OSVI’s derived product benchmarks and

(iii) the existing energy benchmark.

OSVI’s analysis shows that allocations from the proposed product benchmarks fall substantially short of allocations from the energy-based benchmark and from the OSVI-derived product benchmarks. OSVI concludes that the product benchmarks in the proposed amendments are not based on accurate energy use and/or product data and would not provide a fair allocation to OSVI’s Gilroy facility. OSVI would like to meet with CARB to discuss and display its data, analysis, and findings but due to the confidential nature of its production data, OSVI is unwilling to share its confidential business data with CARB.

In apparent absence of sufficient data to support the proposed product benchmarks, CARB should retain the existing energy-based benchmark for this sector or allow the option to remain on the existing energy-based benchmark. Energy-based benchmarks were based on verified data from all covered facilities and the methodology for arriving at energy-based benchmarks was clearly stated in numerical terms prior to adoption of the energy-based benchmarks. Once sufficient data are available to support the development of more equitable product benchmarks for garlic and onions, then adoption of the product benchmarks for these products could proceed.

Therefore, OSVI respectfully requests that CARB modify the Proposed Amendments by substantially increasing the numeric values of proposed product benchmarks for garlic and onions in Table 9-1 (page 142) of the proposed amendments or by deferring their adoption.

B. CARB should publish the data and methods it used to develop its proposed garlic and onion product benchmarks.

OSVI is not able to fully understand how the proposed product benchmarks were calculated. This is because the data and methods used by CARB to produce the benchmarks are not publicly available. OSVI has requested the final report produced by CARB’s product benchmark consultant (Northwestern University). The consultant report outlines the data and methods used across multiple product benchmarks (including for garlic and onions) to arrive at numeric values for product benchmarks. OSVI requested this report from CARB and from Northwestern University. Both CARB and Northwestern University indicate that the final report will be made available in the future. Whatever version of the final report is going to be made available to the public in the future should be available now to support a better understanding of the proposed product benchmarks in the proposed amendments.

OSVI would use such information to gain a better understanding of the methodology and data sets that CARB used to arrive at the proposed product benchmarks for garlic and onions. With such an understanding, OSVI would be better able to provide more specific comments on the proposed product benchmarks. The spreadsheet(s) used to calculate the proposed product benchmarks should be included so that those affected can more fully understand CARB’s overall methodology.

Therefore, OSVI respectfully requests that CARB modify the Proposed Amendments by appending additional information about the methods and data used to deduce numeric values for proposed product benchmarks for garlic and onions. OSVI recommends that CARB append these supplemental technical support materials, including the final report from Northwestern University, to Appendix C of the Initial Statement of Reasons.

**IV. Conclusions**

In accordance with the specific recommendations set forth above, OSVI respectfully requests that CARB:

(i) Refine/revise the proposed product benchmarks for garlic and onions included in the Proposed

Amendments, and

(ii) Make more information available to the public regarding CARB’s methodology and data used to produce the proposed product benchmarks for garlic and onions, including the spreadsheet used to calculate the proposed product benchmarks.

Sincerely,

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