Agricultural Council of California

December 16, 2016

Ms. Rajinder Sahota
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Submitted electronically via: www.arb.ca.gov/cc/scopingplan/scopingplan.htm

RE: California Air Resources Board's Discussion Draft 2030 Target Scoping Plan Update (December 2, 2016)

Dear Ms. Sahota:

Agricultural Council of California (Ag Council) appreciates the opportunity to submit comments on California Air Resources Board's Discussion Draft 2030 Target Scoping Plan Update (Draft SPU) released December 2, 2016. Our comments are not all-inclusive since there are several outstanding issues such as complete Natural and Working Lands (NWL) inventory and the lack of an evaluation reviewing the environmental, economic and AB 197 impacts. We look forward to being able to provide further input once that information is available. Ag Council also requests that we be given more time to review the January Proposed Scoping Plan and relevant workshops not be scheduled to fall on the same day the comments are due.

Ag Council is a member-supported organization advocating for more than 15,000 farmers across California, ranging from small, farmer-owned businesses to some of the world's best-known brands. Ag Council works tirelessly to keep its members productive and competitive, so that agriculture can continue to produce the highest quality food for the entire world.

Ag Council believes the best path to achieve the state's long-range environmental goals is through an integrated and flexible policy framework that optimizes sustainable and cost-effective greenhouse gas (GHG) emission reductions in all programs and sectors. The original Scoping Plan -- and now its update -- the 2030 Scoping Plan -- is intended to be the blueprint for our state to continue to reduce GHG emissions.

The Strategy to 2030

Ag Council continues to have conversations with its members about what is the best scenario for how to achieve greenhouse gas (GHG) reductions of 40 percent below 1990 levels by 2030, in a cost-effective and technically feasible manner. While Cap-and-Trade seems to be the least harmful of the three concepts described for how we could meet our 2030 target, we continue to have significant concerns that warrant further evaluation.

Post-2020 Framework & Potential Leakage
The development of the post-2020 industry assistance factor calculations, based off of the international and domestic leakage studies, is very problematic. Neither study looks at market demand when estimating leakage and they do not take into account the uniqueness of producing food. The leakage studies should include an analysis on upstream and downstream cost impacts if ARB is to use the results of the leakage studies to calculate specific assistance factors for specific industries.

We hope that ARB will reevaluate its assistance factor methodology and implement the cap-and-trade regulation in a way that more accurately portrays the international and domestic pressures on the California agricultural sector. Failure to minimize leakage will not just have direct consequences for California food processing, its employees, and the communities that it supports; it will have a negative impact on global GHG emissions. By decreasing the industry assistance factor, food processors will experience higher costs to comply with regulations. Locally produced food will likely decline in California and production could increase out of state or abroad. Therefore, it is likely that a more GHG intensive process will be used and emissions associated with shipping will increase overall GHG emissions. This outcome directly conflicts with ARB's original purpose of analyzing and minimizing leakage risk at all.

A requirement that emission targets sync with similarly stringent commitments by other states and countries is needed. While we appreciate the efforts made by the Administration and the ARB to promote and encourage other states and nations to be more aggressive in their climate change policies, the fact remains there is much to be accomplished on this front. Any emission reductions anticipated beyond 2020 should be analyzed and reported in the context of California's reductions against worldwide carbon emission projections**.** Emissions leakage for food and agriculture is Ag Council's central concern. Many food products do not go to market without further processing. Producing and processing food is mostly a seasonal activity, with operations lasting less than four months out of the year, with the exception of the dairy industry, where products are produced and processed throughout the year. Our industry is sensitive to import pressures from domestic competitors in other states as well as foreign competitors.

For example, California dairy processing plants currently participating in ARB's cap-and-trade program are continually competing against both domestic and international competitors for those markets. Currently, California has experienced 20 consecutive months of milk production declines due in large part to higher production costs. Meanwhile, Wisconsin broke state milk production records in 2015 and has experienced 27 consecutive months of milk production increases. With this, it is becoming increasingly evident that the ongoing cost structure in California will adversely impact dairy producers.

Offsets Usage Limit
Staff is considering lowering the offset usage limit for post-2020. Offsets are a proven and cost-effective means of meeting AB 32 compliance obligations. They are also an effective means of achieving significant GHG emissions reductions here in California and globally, since carbon dioxide pollution knows no boundaries. ARB's original parameters that GHG reductions due to offsets meet the criteria of being real, additional, quantifiable, permanent, verifiable, and enforceable, have slowed growth of the program. California is paving the way on climate change programs, and as a result, is a global leader. It is important that California maintains and builds a

strong offset program to demonstrate to the world that offset programs can be successful. We should not continue to restrain the ability of offsets to reduce emissions. ARB should expand and expedite the use of offsets, which is consistent with ARB's statutory obligation to achieve the maximum technologically feasible and cost-effective GHG emissions reductions.

Draft Scoping Plan Scenario & Alternative Modeling Description

While this document[1] will likely be discussed at the December 16, 2016 workshop, there will not be enough time to include an informed response after the workshop since the comment deadline is on that same date. Given that timeframe, there are two points that need clarification since this document summarizes input assumptions and data sources for the scoping plan.

Page 23 states that a 22 percent reduction in N_20 emissions can be achieved with the optimized application of fertilizers. There are two literature citations; one done on corn in Michigan and the other one you have to pay to access. We join Farm Bureau and ask that further discussion with stakeholders be held before this reduction assumption is used for modeling purposes. While semi-permeable polymers or nitrification inhibitors might have a role in reducing N_20, further discussion is needed to understand how and if this translates in California production systems. We cannot assume the same reductions would occur on our farms and ranches with our climate which dramatically differs from Michigan's operations and conditions.

Page 24 lists emission reduction targets that are in Senate Bill (SB) 1383 by Senator Lara and the Short-Lived Climate Pollutant Strategy. Manure methane emissions are listed as a 65 percent reduction, which does not reflect SB 1383 or the SLCP strategy that has a goal from dairy and livestock manure of 40 percent. In section 4 39730.7 (b)(1) of SB 1383 states:

> *The state board, in consultation with the department, shall adopt regulations to reduce methane emissions from livestock manure management operations and dairy manure management operations, consistent with this section and the strategy, by up to 40 percent below the dairy sector's and livestock sector's 2013 levels by 2030.*

It would be help if an explanation could be provided as to why this language in the Draft SPU does not reflect SB 1383 or the SLCP strategy.

Natural & Working Lands

Ag Council was pleased to see ARB acknowledge the importance and diversity of California's NWLs that include forests, rangelands, farms, wetlands and soils. We agree with the need to balance carbon sequestration with other co-benefits in all of these sectors and we welcome any support that helps agriculture remain competitive globally, while reducing emissions and sequestering carbon at the same time. We are very interested in the Lawrence Berkley National Laboratory (LBNL) analysis to develop business-as-usual net carbon sequestration rates and encourage more stakeholder discussions as this research progresses. We are highly encouraged to see the continued coordination that has been ongoing with ARB, USDA Natural Resource Conservation Service (NRCS), California Department of Food and Agriculture (CDFA) and other agencies.

[1] https://www.arb.ca.gov/cc/scopingplan/scoping_plan_scenario_description2016-12-01.pdf

Reducing Emissions Throughout California's State Agencies

California's other regulations and purchasing programs should reflect the state's priority in reducing emissions. This commitment to addressing climate change is not occurring across all state agencies and local public entities as it should.

California farmers and the food processing industry are subject to numerous directives to purchase lower-emission tractors, forklifts and more fuel-efficient trucks, all of which come at a financial cost. All of these environmental benefits – as a result of investments by farmers and food producers – are more than negated when public agencies import products with a large GHG footprint. The state must not undermine its significant efforts to reduce GHGs by spending taxpayer dollars to import products from nations not complying with equivalent emissions standards, not to mention food safety and other environmental standards. We urge ARB to engage with other state agencies to ensure that their practices are also reducing emissions, similar to private industry.

In closing, we recognize the importance of reducing emissions with incentives while continually evaluating cost-effectiveness and feasibility. This is important for measuring accurate progress in meeting the state's goals as well as coordination between state agencies to avoid regulatory duplication. Please take into account the numerous other climate programs and mandates farmers are subject to as this is just one piece of the larger climate narrative and farmers have made much progress related to on-farm conservation practices.

Ag Council looks forward to working with ARB staff to improve the 2030 Scoping Plan to ensure California's climate change policies objectives are met, while maintaining and growing a robust food and agricultural economy. Should you have any questions or need anything further from us, please feel contact Rachael O'Brien at (916) 443-4887 or via email at Rachael@agcouncil.org.

Sincerely,

Emily Rooney
President
Agricultural Council of California