Agricultural Council
of California

June 24, 2022

Chair Liane Randolph
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Chair Randolph:

Agricultural Council of California (Ag Council) represents over 15,000 farmers across California, ranging from small, farmer-owned businesses to some of the world's best-known brands. On behalf of our members, Ag Council appreciates the opportunity to comment and provide feedback on the 2022 Draft Scoping Plan (Draft).

California leads the world in achieving the most ambitious climate goals. The state must continue investing in environmentally transformative practices that collaborate with industry partners. Therefore, we agree with California Air Resources Board (CARB) staff that the chosen Scenario provided the most economically and technologically feasible route to carbon neutrality while providing a feasible timeline to develop the technology and infrastructure needed to achieve the state's greenhouse gas reduction goals. However, we are still concerned about the potential impacts on agriculture and rural communities.

We appreciate that the Scoping Plan recognizes that public and private sector dollars must work together to achieve the state's goals. However, we caution against efforts to finance climate-smart technologies through low-cost credit or credit support programs. An incentive-based approach has proven successful when partnering with the private sector. We encourage CARB to continue this strategy to achieve its goals.

We agree that decarbonization will require continued technological innovation across every sector, including food processing. Additionally, the Scoping Plan calls for reducing fossil fuel reliance from the food products sector at 7.5% energy demand electrified by 2030 and 75% electrified by 2045. The draft also calls for 25% of agricultural energy use demand to be electrified by 2030 and 75% by 2045. The Food Production Investment Program (FPIP) assists food producers in reducing energy use and lowering carbon emissions by replacing high-energy equipment with advanced technologies and equipment. This program accelerates the adoption of state-of-the-art energy technologies that reduce greenhouse gas emissions and improve air quality in many low-income communities throughout the state. According to an analysis by CARB, FPIP will lower 3.17 million MT of CO2e over the life of its 51 projects. This marks the sixth-best of all California Climate Investments programs. FPIP creates an incentive-based partnership for California food processors to leverage state funds with private dollars to achieve ambitious state energy and carbon standards. We encourage CARB and the California Energy Commission to continue to support this technological innovation in the food processing sector.

It is also vital that California continue to support and accelerate the utilization of existing, proven technologies and markets to further emission reductions. The Low Carbon Fuel Standard (LCFS)

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market must continue to include digesters. Dairies have relied on the LCFS program and access to voluntary markets in making significant investment decisions to develop digester projects. Participating in these markets must continue as a core strategy for reducing short-lived climate pollutants. We applaud efforts to implement the LCFS, and while there are benefits throughout the country, in-state projects should be ranked ahead of out-of-state projects due to stringent goals applied to California's dairies. We understand there are some legal considerations when pursuing this option, however we urge CARB to examine possibilities that would benefit California's dairy producers and assist them in achieving our lofty climate targets. It is one of the few ways to control livestock methane emissions without creating leakage, and in-state projects should be prioritized within the program. The 2022 Scoping Plan must indicate that digesters will continue to qualify in the LCFS program and should prioritize California projects.

California's investments in manure methane management practices, including the Dairy Digester Research and Development Program (DDRDP) and the Alternative Manure Management Program (AMMP), have successfully reduced greenhouse gas emissions. To meet the state's goals, these programs must continue. Specifically, dairy digesters are one of the most effective tools for reducing methane emissions. By developing digesters alone, California's dairy families will reduce 4 million MT of CO_2e per year.

Additionally, we request that supplementary funding work to identify enteric methane solutions. The potential for enteric emission reduction is sizable; however, any enteric feed additive with long-term methane reduction potential must overcome technical and market barriers to ensure it is both available and affordable. Further assistance would be useful in overcoming these challenges.

Ag Council also appreciates the inclusion of carbon stock inventory from our state's natural and working lands. From an overall land use perspective, the draft could take a more aggressive approach in enrolling agricultural lands under voluntary conservation easements. At the same time, we ask that CARB analyze the effects of lands that will be fallowed under the Sustainable Groundwater Management Act (SGMA) and how this fallowed land will impact air quality. Increased dollars in the Multi-Benefit Land Repurposing Program could assist in mitigating air quality and climate concerns as the state deals with the unintended consequences of SGMA.

We agree that climate-smart practices should be used on-farm, and we support the continued funding of programs that increase climate resilience. However, we are highly concerned about the shift in cropping patterns outlined in the draft that calls for 20% of all croplands to move to organic agriculture by 2045. Although organic production is expected to increase over time, without a market for a 20% increase in organic produce, oversupply will lead to increased production costs and negative profit margins. This will affect new or socially disadvantaged farmers and ranchers the most. A mandated increase in organic production will result in rising food costs, increasing already all-time high food prices, ultimately affecting the state's most vulnerable communities. Organic practices should be adopted with a market-driven approach.

California prides itself as a climate leader and hub for innovation. The draft highlights the necessary and additional mechanical carbon dioxide removal technologies needed since natural and working land management are not estimated to be a significant carbon removal path in the near term. However, later the draft mentions that these technologies are not feasible due to "permit uncertainty." As a leader in climate policy, it is disappointing that California cannot explore more innovations to reduce emissions because of excessive green tape. There should be a concerted effort to explore ways to incentivize these technologies and to advance our leadership in climate mitigation and innovation.

The Cap-and-Trade program funds critical carbon sequestration efforts. Ag Council supports the continued funding of Cap-and-Trade, as the program solidifies California as a global leader on climate issues. Cap-and-Trade funds climate-smart agricultural practices, including the Healthy Soils program. Cap-and-Trade has also improved our air quality in disadvantaged and low-income communities through FPIP and the FARMER program.

The draft calls for accelerating the reduction and replacement of fuel-powered vehicles to a zero-emission vehicle future. For rural communities especially, availability to connect to the grid, grid stability, rising utility costs, equipment availability, and the compliance timeline will present considerable challenges in achieving this goal. We also agree with CARB that a rise in Vehicle Miles Travelled (VMT) can offset the practical benefits of a zero-emission truck and car fleet. Of note, it is essential to realize that the transition to zero-emission trucks will also increase the tare weight of medium- and heavy-duty trucks, therefore decreasing the load capacity per haul. This could increase the number of trucks on the road. Combined with the state's shortage of truck drivers, a decrease in load capacity could significantly impact and disrupt the supply chain. For these reasons, we emphasize the need for CARB to deliver on its strategy of incentivizing the transition to zero-emission vehicles.

The draft touts zero-emission vehicles and the associated cost savings due to a reduced reliance on fossil fuels; however, the "Estimated Direct Costs," section of the draft does not include the projected energy costs increases due to this reliance on electricity. In February of 2021, the California Public Utilities Commission released a report titled *Utility Costs and Affordability of the Grid of the Future: An Evaluation of Utility Costs, Rates, and Equity Issues Pursuant to P.U. Code Section 9131*[1]. Included in the report, the graphs below illustrate the PUC's prediction that energy rates will continue to rise. Recent spikes in inflation will only exasperate these figures, catapulting rates even higher.

[1] California Public Utilities Commission, *Utility Costs and Affordability of the Grid of the Future: An Evaluation of Utility Costs, Rates, and Equity Issues Pursuant to P.U. Code Section 913.1* (February 2021), 75, 96.

Figure ES-4: Average Monthly Energy Costs from 2020-2030 for Representative Above Average Energy Usage Home in a Hot Climate Zone on PG&E Rates

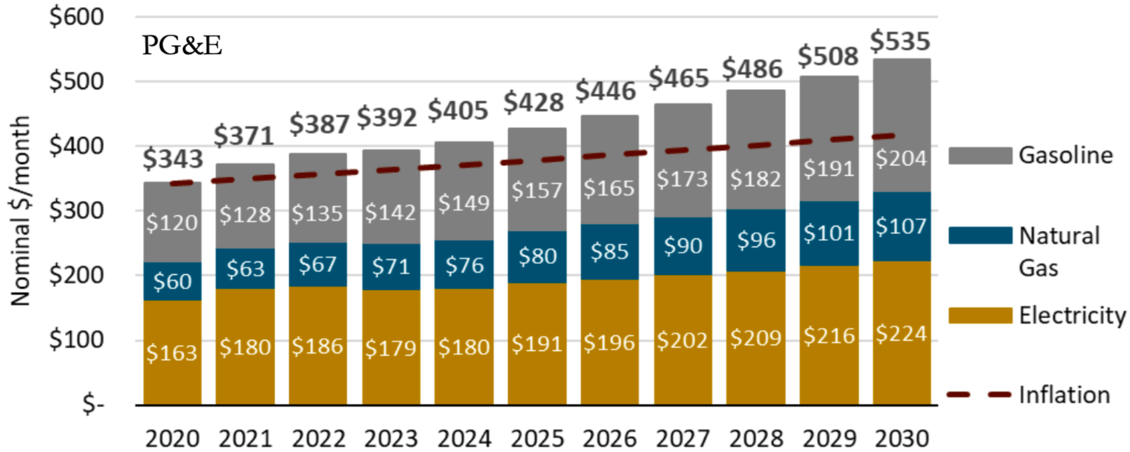
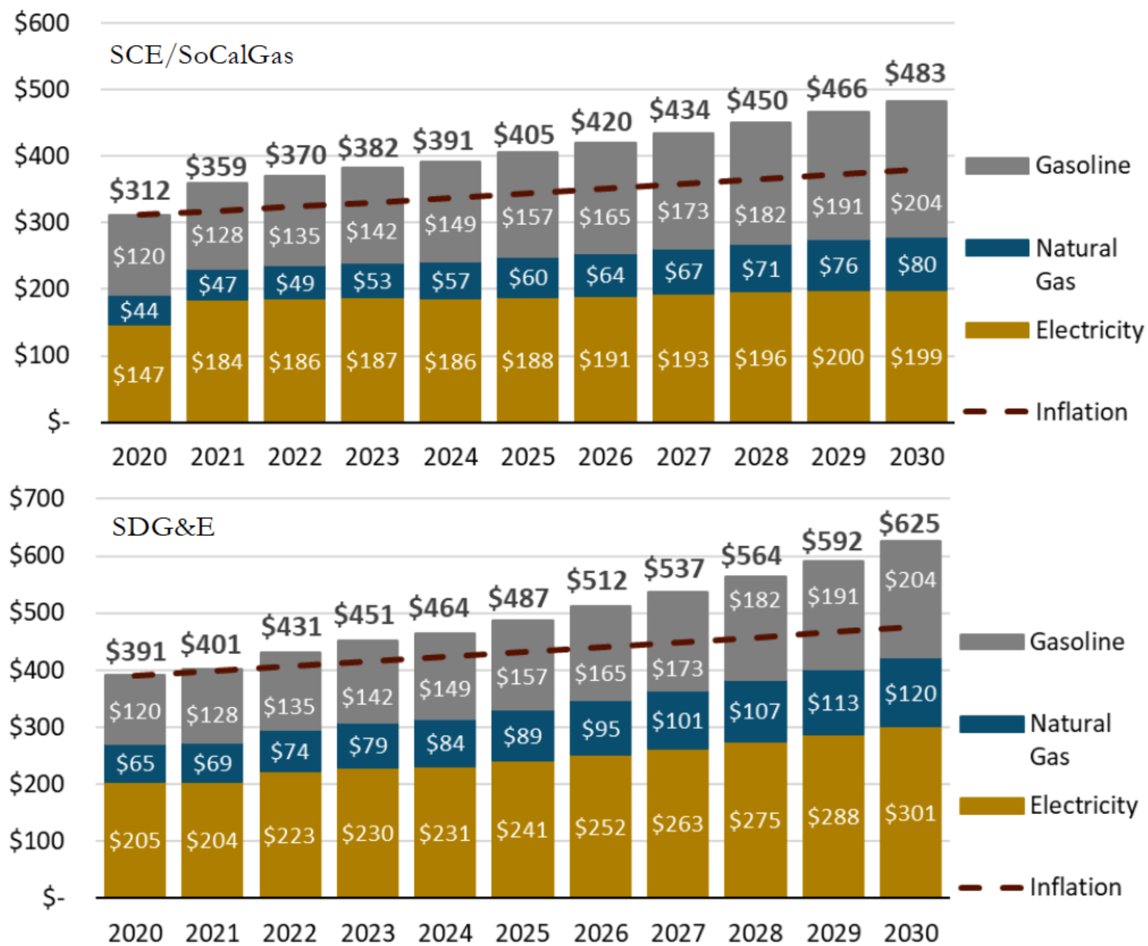


Figure 45: Average Monthly Energy Costs from 2020-2030 for Representative Above Average Energy Usage Home in a Hot Climate Zone on SCE/SoCalGas Rates and SDG&E Rates



We urge CARB to include this analysis in the "Estimated Direct Costs," section of the draft. Furthermore, we request that the Administration make significant investments in reducing the overall transitional costs that will be brought onto rate payers in the near future. The costs for energy are skyrocketing and will be stifling in our transition to a zero-emission future.

Further, to achieve the state's goal of less reliance on fossil fuels, a clean, affordable, reliable energy grid is necessary. As stated in the draft, this load growth will be unprecedented. An increase in reliance on electricity will lead to increased power outages unless significant improvements are made immediately. Each summer, we are on heightened alert about our grid. Power outages create disruptions in the food supply and sometimes cause spoilage in perishable products. A stable grid is foundational to a successful Scoping Plan.

Thank you for your time and consideration of these comments. We look forward to continued collaboration as we pursue the next phase of climate leadership.

Sincerely,

Dani Diele
Membership & Public Policy Coordinator