



December 15, 2014

Mary Nichols  
Chairman  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

Subject: Proposed Compliance Offset Protocol for Rice Cultivations Projects

Dear Chairman Nichols:

We are writing to provide comments regarding the Air Resources Board's current draft of the Compliance Offset Protocol for Rice Cultivation Projects (Rice Protocol). The California Rice Commission (CRC) has been working with the Air Resources Board (ARB) and other environmental groups on a proactive voluntary strategy for several years to help deliver much-needed greenhouse gas (GHG) reductions as part of a comprehensive solution to AB 32's statutory goals and objectives. It's with this history of cooperative efforts that we provide our perspective on the Proposed Rice Protocol.

The CRC represents the entire California rice industry, including all 2,500 rice growers and handlers who farm and process rice produced on approximately 500,000 acres annually. In addition to rice production, our fields also provide critical habitat for nearly 230 species of wildlife, including millions of migrating waterfowl and shorebirds along the Pacific Flyway. Our fields are designated as Shorebird Habitat of International Significance and provide some 60 percent of all the food consumed by an estimated six million waterfowl wintering in California's Central Valley.

We compliment the ARB staff for helping us to protect the tremendous wildlife habitat provided by rice; especially winter-flooded rice. Winter flooding began as a primary alternative to burning the rice fields in response to the rice burn Legislation. Two great results followed--cleaner skies in the Sacramento Valley and millions of waterbirds moving in to use this winter habitat. This proposed Rice Protocol enables the California rice industry to help California meet its GHG reduction goals through a sensible, market-based program that preserves our industry's positive environmental contributions. Even though our winter flooding results in modest methane emissions, the ARB's proposal purposely avoids impacting this practice in order to preserve important habitat. We appreciate the ARB recognizing these valuable benefits and inviting us to promote a pair of targeted voluntary practices that carefully avoids impacting our industry's significant contributions to millions of waterbirds and other wetland-dependent species of wildlife now reliant upon California rice fields.

The CRC is supportive of the ARB adopting the proposed Rice Protocol. In turn, the CRC is committed to promoting this voluntary opportunity to our members as part of our efforts to contribute positively to GHG reduction efforts in California. The CRC's ability to convince our members to consider this program is clearly linked to how attractive this opportunity seems to them, given the economics relative to their primary business of producing rice and how much time they feel their participation will distract them from that primary business activity. In considering these factors, growers will ask several key questions:

- What is the value of these offsets in the marketplace?
- What kind of fees and administrative costs will I incur to earn the offsets?
- As one individual farm, with relatively few credits, how will I find a buyer?
- How many hours per year will this activity take from my business of farming?

It is with this perspective in mind that we provide a set of topline comments intended to capture the farmers' perspective on this Protocol. Rice farming in the Sacramento Valley is still a family affair. The vast majority of these farms are family owned and average just a few hundred acres per farm. The family members are very involved with managing the day-to-day operations of growing the highest yielding rice crops in the world right here in the Sacramento Valley. On behalf of these family farms, the CRC shares the following concerns and observations relative to the Proposed Rice Protocol:

1) Complexity

It is clearly a highly complex activity to account for, verify and issue these offsets. Based upon the wealth of calculations and modeling required, it is clear that success will be based upon having qualified project developers willing to invest the time and expertise to understand the program adequately to provide this service for rice farmers. Given the modest revenue potential of this program (less than one percent of growers' costs of production), we are concerned about just how attractive this opportunity may be given the complexity of the protocol. We believe that more streamlined approaches may be possible with trade-offs of greater uncertainty deductions, if appropriate, to preserve the integrity of offsets.

2) Data Requirements from the Farmer

The protocol describes a long list of data requirements in order for growers to receive these credits, with many elements proposed to be publicly available. Some data seems relatively simple (such as basic information about how they farm the acres enrolled) while other scientific parameters and proprietary business information seems extensive. Also, it should be noted that the more detailed farm business data a farmer is asked to give, the less motivated he/she will be in participating.

3) Verification of Offsets

Understandably the protocol strives to be very precise and detailed to verify the reductions to a very high level of confidence. This seems quite reasonable for larger and more predictable emissions from certain industrial facilities. However, it must be recognized that “per acre” emissions from these farms are quite small (on the order of two to three tons CO<sub>2</sub> equivalent per acre) and with much annual variation in environmental conditions. With possible average reductions being only a fraction of one ton of CO<sub>2</sub> equivalent per acre, we simply question whether the revenue will support such rigorous standards.

We are encouraged to see that ARB is joining forces with the California Department of Food and Agriculture to help fund a pilot verification project designed to evaluate if “more” is actually “better” when it comes to a high level of rigorous farm-scale verification rather than a more statistical and cost-effective approach. Incidentally, we believe that coordination with CRC will be helpful in your staff’s efforts to line-up “volunteers” for this project.

4) Consolidated Reporting

We understand that ARB staff is proposing to allow for multiple growers to be included on a single Offset Project Data Report. We really appreciate this effort as part of collective efforts to reduce overall administrative costs of this program. It is imperative that these efforts succeed in order to attract reasonable numbers of growers to this program. We welcome the opportunity to work with your staff on the development of a template to achieve this important objective.

5) Importance of Early Adopters in Farming Communities

We cannot understate the importance of farmers who try new methods to serving as spokespersons in the tractor dealerships and coffee shops in these farm communities. If allowed to participate, they become the advocates for new methods and the programs that support them. We have had success in our wildlife habitat programs by using these early pioneers to advertise their positive experiences with the Natural Resources Conservation Service, for example, to implement certain beneficial practices. Some new programs tend to eliminate participation by this important group of growers and miss out on the trusted voices they can have in convincing fellow growers to head down a new path. We are very encouraged to see that “early action” is being considered. We are hopeful, however, that the stringency of past recordkeeping rules (not available to them in previous years), will not prevent them from qualifying. Flexibility will be key in this area.

Specific Recommendations

CRC provides the following recommendations for your Board to consider that may serve to further improve this Protocol before its final consideration next year:

- Direct staff to collaborate with key stakeholders in efforts to further streamline quantification methodologies and associated data requirements, while preserving the integrity of offsets.
- Direct staff to coordinate closely with the CRC (in addition to CDFA) to recruit growers to participate in the pilot verification project.

We appreciate your Board's consideration of the Rice Protocol and look forward to working with the ARB to help promote this first agricultural crop GHG protocol. Your staff has worked very hard on this proposal and it shows in their work product. We look forward to helping with the finishing touches over the coming months. Please feel free to contact me at (916) 206-5340 if you have any questions.

Sincerely,



Manager of Environmental Affairs

c: Richard Corey, Executive Officer, ARB

