



To: Mary Nichols, Chair
California Air Resources Board

Fr: California League of Food Processors

Date: November 21, 2016

Re: California Air Resources Board's Public Workshop on the 2030 Target Scoping Plan
November 7, 2016

The California League of Food Processors (CLFP) appreciates the opportunity to provide comments on items discussed during the Public Workshop on the 2030 Target Scoping Plan November 7, 2016.

CLFP comments will focus on those items presented by CARB staff during its November 7th presentation. However, CLFP and its members want to inform staff and ARB Board members that these comments are not exhaustive due to the need for further examination arising from the numerous issues presented in the last two workshops. Additionally, CLFP assumes that CARB will consider and thoroughly evaluate the results and implications of the national elections and the potential impacts on the state in conjunction with the timelines previously set for the implementation of the state's environmental policies.

CLFP continues to review the presentation and other information and data provided by CARB staff and hopes these comments will aid the CARB Board and staff in forming fair, policy-oriented, economically viable and data-supported regulations regarding the future of California's Climate Change programs. A concomitant goal must be avoidance of potential harm to the California economy in the development of a post-2020 program designed to meet the emission reduction goals.

Given both staff's proposals and the initial results of the modeling presented at the workshop, it is clear the future is much in doubt as to the feasibility of these recommendations. Nevertheless, whatever the final form of a post-2020 regulation, they are all but certain to have a significant impact on the ability of California industry, and food processors in particular, to remain competitive in the future.

With that, CLFP submits the following comments:

Approach to Incorporation of SB 32/AB197

As CARB staff noted in the November 7th workshop, Senate Bill 32 (SB32) codifies post-2020 GHG reduction targets. Additionally, AB 197 requires CARB to consider the social costs of GHG reductions, to follow existing AB 32 requirements—including considering cost-effectiveness and minimizing leakage—and to prioritize measures resulting in direct emission reductions. However, based on information provided at the workshops CARB staff believes that significant modifications to the current overall program will be necessary to achieve the post-2020 emissions reductions.

Most notable, at the previous workshop held October 21st, CARB staff introduced new and significantly reduced assistance factors planned to be proposed for Board consideration and adoption. In the next week, CARB staff set forth proposals citing alternatives to the current Cap-and-Trade program; alternatives that varied significantly from the proposals set forth in the 2030 Target Scoping Plan Concept Paper (June 2016).

CLFP points out that, overall, these proposals represent an interruption of an ongoing program, rather than an enhancement, as they veer dramatically from the program implemented under AB 32. In the absence of any other more viable and supportable programs, CLFP believes the current program and methodology for allocating allowances should also be considered an option for extension through the post-2020 period. This is based solely on industry's familiarity with the program and the inherent implications associated with compliance with the requirements as currently structured.

An integral part of these requirements was the establishment of Cap-and-Trade. CLFP encourages CARB to consider and evaluate all other potential alternatives to attain regulatory compliance with the post-2020 requirements, in so far as each potential alternative is appropriately evaluated to consider the full impact, including economic and other socio-economic factors, of the alternative on the regulated community and its constituents.

However, in attempting to meet the dictates of AB 197, CARB staff's initial recommendations as to potential post-2020 program changes have dramatically reintroduced the uncertainty that has plagued business and industry since the beginning of this program. CARB staff must incorporate changes as seamlessly as possible. Because of the implications associated with the emissions reductions required under SB 32, a thorough sector-by-sector economic analyses will be a vital and necessary requirement for any proposed alternatives.

Local Action Effort

CARB staff, in its workshop presentation, recognized both the efforts of the local governments as well as the contributions by the local air districts in contributing to the successful attainment of the AB 32 goal.

CARB staff, calling local governments “critical partners” in the state strategy, then recommended a Community-wide goal of 6 MTCO_{2e} per capita by 2030.

While CLFP agrees that local governments are “critical partners”, along with all other segments of California’s governing structure, to the overall goal of GHG emissions reduction, CARB’s recommendations are speculative. CARB staff’s recommendations lack the support necessary to clearly demonstrate that these goals are attainable, or even reasonable. CLFP is not aware of any studies or other supporting data to allow stakeholders to determine if such reductions are either obtainable and economically viable.

The current level stands at 15 MTCO_{2e} as recommended under the 2008 Scoping Plan. CARB must provide more information on how they expect to achieve a 9 MTCO_{2e} reduction. Certainly, more detailed than the justification provided -- that the new goal is:

- Consistent with current statewide limits in AB 32, SB 32 and EO S-3-05
- Consistent with Under 2 MOU “fair share”
- Consistent with the Paris Agreement
- Demonstrates leadership role on climate change mitigation

While CLFP understands CARB’s desire to investigate all potential avenues to achieving the state’s climate goals, imposing enhanced state policy goals on local Air Districts (ADs) should be approached with caution. More importantly, such recommendations should be supported by actual data suggesting that such reductions are reasonably achievable and not just being proposed because they don’t violate the state’s political objectives.

At present, CARB has not provided any detailed analyses to support the feasibility of meeting a 6 MTCO_{2e} per capita by 2030. Absent an analysis of both feasibility and cost impacts on local economies, these recommendations are premature, and will additionally burden local governments and local economies with potentially expensive regulation. CLFP will be interested in pending input on the impacts from both local governments and the ADs.

Achieving the 2030 Target

As stated previously, CLFP supports the program and methodology employed in the Cap-and-Trade regulation in its current form and urges staff to reconsider its recent recommended proposals for achieving the state’s 2030 goal. The legislation supporting these new goals was passed and approved without any supporting data or analysis, economic or otherwise, that these goals are even obtainable without resulting in significant harm to California’s economy.

Alternatives 1 & 2

Neither of the proposed alternatives provide the necessary assurances that cost-effective and technological feasibility will be the main considerations in meeting the 2030 goals.

It is disappointing that both alternatives were initially developed without industry input. While the process provides comment opportunity, industry is again relegated to the role of reacting to such proposals.

As previously indicated, both in these comments and in CLFP oral comments during the Air Resources Board Meeting of November 17, 2016, CLFP's support for continuing the Cap-and-Trade program post-2020 is a qualified support. The program currently envisioned under the proposals and alternatives presented in the workshops of October 21st and November 7 represent such a drastic deviation from the current Cap-and-Trade program as to be unrecognizable.

Cap-and-Trade remains the only viable program capable of providing the necessary emission reductions in a cost-effective manner. However, the recent release of the proposed post-2020 assistance factors, the cost-effective value of the Cap-and-Trade for the food processing industry is in jeopardy. Reductions in assistance factors of anywhere between 75% to 95% renders the program effectively useless for food processors and enormously increases the likelihood of industrial leakage in this sector of the California economy.

Additionally, as a significant percentage of industrial food processing occurs in areas designated as Disadvantaged Communities (DAC) by the CalEnviroScreen, the potential harm to low-income communities and families requires additional analysis as the proposed changes in the Assistance Factors will increase the financial burden on food processing facilities to meet their compliance obligation and are likely to impact those DACs.

Alternative 2 suggests imposing a Carbon Tax in lieu of the current Cap-and-Trade program. The potential implications of carbon tax need to be fully vetted. Given that food processors accounted for ~0.4% of 2014 GHG covered emissions, a carbon tax may result in a significant cost increase for food processing facilities. CLFP believes that it is premature for CARB staff to consider a Carbon Tax in lieu of the current Cap-and-Trade program. However, should CARB decide to abandon the current program, any proposed carbon tax should be proportionate and/or based on emissions totals and not a flat tax.

CARB's proposal regarding a 25% GHG reduction for industrial sector -- how would this be determined? As with the proposed carbon tax, CLFP expects that any imposed GHG direct emissions reductions should be based on the need/contribution from the facility.

The substantial analysis on these alternatives is lacking. Before CARB gives any serious consideration to either of the alternatives, there needs to be a significant economic and socio-economic evaluations and analysis. Such evaluations must be performed by independent 3rd party experts that are funded by CARB and selected with input from the impacted sectors.

CLFP Recommendations

The main message from CLFP is that much more study is needed before CARB moves forward with the current recommended proposals as a basis for post-2020 regulations.

Given the expected demise of the Clean Power Plan, it is unclear why CARB should not reconsider or adjust the timeline in the development and implementation of the post-2020 program under SB32. The only justification put forth by CARB staff for maintaining this pace is that facilities/businesses subject to the Cap-and-Trade require certainty to be able to adjust to the post-2020 regulatory changes necessary to meet SB 32 goals. However, business certainty is dependent upon confidence in the conclusions that such goals, especially those envisioned by the proposed enhancements of the current regulatory scheme, are obtainable.

CLFP believes missing the 2021 “deadline” for the proposed SB 32 regulations would not harm the program nor the state’s timeline for meeting its 2030 emission reduction goals. In fact, a year or two delay in implementing a post-2020 regulation, in favor of more thorough analysis of economic impacts and technological feasibility, would do more toward promoting industrial certainty than approving any of the current proposals for inclusion in the 2030 Targeted Scoping Plan in the current data vacuum.

Without question, substantially more study is necessary before this Board should consider approving any of staff’s proposed recommendations for inclusion in the Targeted Scoping Plan. SB 32 and AB 197, were both approved without any meaningful economic study or scientific support. Absent economic analysis that these state goals are attainable without substantially harming California’s economy or industries, CARB should proceed cautiously.

CLFP looks forward to continued engagement on these vital topics.

cc: California Air Resources Board Members
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