



November 13, 2015

Shelby Livingston
Chief, Climate Investments Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Draft Cap-and-Trade Auction Proceeds Second Investment Plan

Dear Ms. Livingston:

Agricultural Council of California (Ag Council) appreciates the opportunity to submit comments on the Cap-and-Trade Auction Proceeds Second Investment Plan (Investment Plan).

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

Ag Council's members regularly seek out ways to improve the environment. Beyond any sort of regulatory requirements, most of the major food buyers around the globe demand it and it's the right thing to do. As such, many of our members have made significant investments in order to operate the most efficient technology and equipment available to meet these goals, regardless of the status of Cap-and-Trade regulations. However, this industry has a void in cost-effective newer technologies to truly reduce emissions.

In 2012, Ag Council highlighted this concern before the California Air Resources Board (CARB). Ag Council outlined a practice example in our testimony, "one of our members evaluated a boiler replacement system that would generate super heated steam utilizing solar technology. This system would use solar power to fire boilers, instead of natural gas. Therefore, their emissions would be reduced to zero. For the steam required that would be needed for the height of the processing season, the investment cost would be \$50 million. A power block would be required for the off-season at an additional cost. This estimate is more than five times their annual company-wide capital expenditure budget; meaning, should they make the investment, they couldn't make any other improvements on any of their plants for the next five years. It is simply cost-prohibitive."

Three years later, the adoption of new technology is still cost-prohibitive. Additionally, this type of technology requires significant upfront investment with a delayed and uncertain return. Owners and operators are in the difficult position of needing new technology to stay competitive or stay in compliance. Partnerships through cost-share grants or rebates on next

generation technologies could incentivize further emissions reductions. Many food processors operate on a minimal profit margin for their products. These grants or rebates could assist in minimizing the economic constraints in making the investments in improved emissions technologies and renewable energy.

Additionally, agriculture can be an important source of renewable energy in the state. Through investments of Cap-and-Trade revenues, producers and processors can overcome barriers to installing projects such as those in the bio-energy arena that can generate combined heat and power from processing waste such as nut shells and wine grape pumice. These types of projects can potentially be created both at the farm level and at processing plants.

Efficient and effective investments of Cap-and-Trade auction proceeds through the Greenhouse Gas Reduction Fund (GGRF) are an essential part of the strategy to reduce emissions while maintaining a sustainable business climate in California. Building partnerships with entities already participating in the cap to further reduce emissions should also be prioritized.

GGRF investments in projects that target and reduce short-lived climate pollutants (SLCPs), (such as dairy manure digesters), programs that increase water use efficiency, and pathways for organic waste and woody biomass should be a top priority for the Investment Plan.

Dairy Manure Digesters

Ag Council notes that dairy manure digesters are already an integral component of the Investment Plan's Natural Resources and Waste Diversion sector goals. Dairy anaerobic digesters are poised to become a larger contributor to California's transportation fuel and renewable energy portfolio. By capturing and utilizing methane for use as a valuable renewable energy resource that can replace fossil fuel, digesters mitigate methane greenhouse gas (GHG) emissions and also help the industry adapt to a changing climate.

However, increased continued public investment is needed before digesters can become economically feasible. The Investment Plan should prioritize and recommend substantial long-term funding to build enough dairy digesters to meet methane reductions consistent with the state's overall goal of 40 percent GHG reductions from 1990 levels by 2030. There is a direct relationship between the amount of GGRF investment and the number of dairy digesters that can be built to capture and destroy methane. Going forward, the Investment Plan should align its goals for reducing dairy methane emissions to meet AB 32 and SB 605 goals with the appropriate amount of GGRF investment to achieve that goal.

State Water Efficiency and Enhancement Program (SWEEP)

SWEEP promotes both climate change mitigation and adaptation through water management and energy efficiency, making agriculture more resilient to the impacts that climate change will have on water and energy resources. SWEEP provides grants for irrigation improvements that conserve water with energy efficiency components that reduce GHG emissions. These projects have allowed farmers to effectively manage water resources and create resiliency in their operations through the use of on-farm technologies. This program has been so successful and continues to be in high demand that according to the California Department of Food and Agriculture (CDFA) it is oversubscribed by 300 percent. It is critical to support our farmers to achieve water savings and GHG reductions. Ag Council requests that CARB prioritize funding to ensure continued operation of this program.



Water-Energy Technology (WET) Program

The WET Program, created in response to the Governor's Executive Order B-29-15, will provide financial assistance to implement innovative technologies on farms that will lead to water savings and reduced GHG emissions. The WET Program complements SWEEP by incentivizing conversion to technologies such as low pressure drip systems that can save water and reduce energy and GHG emissions. Funding for the WET Program was not included in the 2014-2015 legislative session. The launch of this program has been suspended until future funds are made available. We ask that CARB work closely with other agencies and industry stakeholders to highlight the benefits of this program and the need for GGRF funding.

Healthy Soils Initiative

The Healthy Soils Initiative is based on the premise of building soil organic matter to sequester carbon, increase water retention, improve air and water quality, reduce sediment erosion and dust, improve biological diversity and improve plant health and yields. These are worthy goals that can be achieved if sufficient incentives are provided to members of the agricultural community who are willing to take the time and effort to make additional, voluntary operational changes to implement management practices that will achieve these objectives. We ask that CARB work closely with CDFA to implement and fund the Healthy Soils Initiative.

Biomass Facilities

In the last twelve months alone, California has closed five biomass facilities due to expiring contracts and poor economics. The closure of these facilities poses a huge threat to agriculture and many farmers are wondering what they will do with their woody waste material. In the past, farmers would open pile burn the material in field but, this is certainly no longer an option given regulations on black carbon, GHG, and criteria pollutant emissions. Therefore biomass facilities became an economically and technologically feasible alternative.

Sending the waste to a landfill is not a realistic option. Not only would the sheer volume of material overwhelm a landfill facility, it is also completely counterintuitive with the state's goal of decreasing our reliance on, and moving organics out of, landfills. For these reasons, we ask that CARB work closely with the California Public Utilities Commission to prioritize funding to ensure continued operation of biomass facilities.

In closing, Ag Council recognizes the importance of reducing GHGs with incentives while continually evaluating cost-effectiveness and feasibility. We believe it is imperative to be engaged and to promote these crucial investments to ensure we remain the number-one agricultural state while we continue to work to reduce our environmental footprint.

We appreciate your consideration and the opportunity to comment. 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.

Respectfully,



Emily Rooney
President

