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California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Cap-and-Trade Regulation 2016 Amendments: Public Workshop on Emissions Leakage Potential Studies

Dear California Air Resources Board,

Thank you for the opportunity to participate in the May 18th workshop and Ingredion Incorporated (Ingredion) also appreciates the opportunity to comment on the emissions leakage studies prepared for Cap-and-Trade (C&T) program.

As we understand, in 2011 and 2012, California Air Resources Board (CARB) was directed to re-evaluate the initial leakage risk assessment. CARB responded to the task by contracting with three research groups to assess the leakage potential for industries covered by the C&T Program. One of the industries being re-evaluated was the food processing industry, which is currently under the Food Manufacturing Group (NAICS Code 311). As we understand, the purpose of the research study was to better assess the leakage risk and update assistance factors for allocation starting in the third compliance period. Based on our review of the material presented in the May 18, 2016 public workshop, it is unclear how the studies performed will impact the existing leakage risk classification under the C&T regulation. Therefore we request that CARB further clarify how these studies will be used and their impact to the leakage risk classification.

In addition, it is our understanding that during the presentation it was suggested that the increased cost for operation due to the C&T program cost could be pushed down the supply chain. In regards to this approach for wet corn milling, the compliance cost would be the sole burden of the processing facility due to the inability to pass on the cost by lowering the farm prices for corn. This would in turn force the production from the Stockton facility to be shifted to an out-of-state manufacturer which does not have to incur these compliance costs thus, having a lower operating cost and thereby contributing to increased leakage. As mentioned in the study by CAL POLY Orfalea College of Business, *Production and Emissions Leakage from the Cap-and-Trade Program in California's Food Processing Industries*; the majority of the wet corn milling facilities are outside California and they are using coal fuel which is not as clean as the natural gas fuel that we use at our facility.

Finally, in September 2013 we submitted a Confidential C&T Leakage Risk Assessment for the Wet Corn Milling Industry. The submitted assessment was completed using the methodology detailed in Appendix K of the ARB's Initial Statement of Reason (ISOR), published October 28, 2010. We request that the CARB staff consider the information we provided; to include the submitted assessment as the basis of determining the leakage risk classification for wet corn milling. Please note that our facility produces both industrial and food commodities.



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We appreciate the opportunity to participate and provide comment on the leakage risk studies and we look forward to working on a risk leakage classification that is representative of the wet corn milling industry.

Sincerely;

A handwritten signature in blue ink, reading "Roger W Hoffdahl". The signature is fluid and cursive, with the first name "Roger" being particularly prominent.

Roger W Hoffdahl
Regulatory Affairs Manager, Stockton Plant
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