

August 1, 2013

David Allgood, P.E.
California Air Resources Board
Stationary Source Division
P.O. Box 2815
Sacramento, CA 95812
21865 Copley Drive
Diamond Bar, CA 91765

Subject: Comments on the Proposed Amendments to Cap-and-Trade Regulation

Dear Mr. Allgood:

Ingredion Incorporated, a worldwide corn refiner and a major supplier of high-quality food ingredients and industrial products derived from the wet-milling and processing of corn and other starch-based materials, would like to thank the ARB for the opportunity to submit comments on the Air Resources Board's (ARB's) proposed amendments to the Cap-and-Trade regulation.

The US based corn wet milling industry consists of 6 companies that operate 23 corn wet milling plants (see Attachment 1). Ingredion operates five corn wet-milling plants in the United States, including one in Stockton, California. It is important to note that the Ingredion Stockton Plant is the only corn wet milling facility located in the State of California.

The Ingredion Stockton plant processes dried, shelled corn into high-fructose corn syrup, corn starch, and animal feed products made from germ, gluten, and fiber. The corn starch produced in the Stockton plant is industrial grade starch used to manufacture paperboard and related products by California based industries.

Prior to August 2012, Ingredion purchased steam from a 3rd party neighboring cogeneration plant to provide thermal energy necessary for its operations. At that time Ingredion emitted less than 25,000 MTCO₂e annually and was not subject to the Cap-and-Trade program. However, in 2012, the neighboring cogeneration plant shut down and Ingredion was forced to directly produce steam to run its operations. This change increased Ingredion's CO₂e emissions to more than 25,000 MTCO₂e emissions for 2012 subjecting Ingredion to the Cap-and-Trade program.

While Ingredion was generally aware of the Cap and Trade rulemaking activity, we did not actively participate in the rulemaking process since Ingredion was not subject to the Cap-and-Trade program. When the change noted above occurred and triggered program applicability, Ingredion reviewed the Cap-and-Trade program in detail. As a result of this review we find that we have questions and comments on certain aspects of the Cap-and-Trade program. Our main issues are with leakage classification and product benchmark development.

As detailed in Appendix K of the ARB's Initial Statement of Reason, published October 28, 2010, there are 34 facilities and 11 subsectors that were analyzed under the emissions leakage analysis for the Food Manufacturing Sector. We note that Ingredion was included in this sector and that we are the only corn wet-milling facility out of a total of 34 facilities. We further note that corn wet milling is a capital intensive heavy manufacturing operation that produces commodities that are shipped in bulk (rail car or truck) quantities to our business customers.

As ARB staff may be aware, there are different trade exposures and emission intensity among different subsectors (e.g., vegetable or fruit processing versus dairy) and we believe there are aspects specific to Ingredion that need to be considered due to the heavy intensity of our manufacturing process and our exposure to facilities producing the same products outside of California. Based on our preliminary analysis, we believe it is appropriate for corn wet-milling to be categorized as medium emission intensity and high trade exposure.

Regarding product based benchmarking; Ingredion has reviewed and supports the proposed amendments that allow for a product-based benchmark for food manufacturing. We wish to point out however the complexity of developing benchmarks for specific products. For example, our production process generates a variety of finished products from our input raw material (corn) much in the same way an oil refinery creates various products by the fractional distillation of crude oil. Since our finished products are not produced by independent unit operations we believe a metric based on total raw material input or finished product produced may adequately characterize the plant in sufficient detail to be able to be properly administered under the Cap-and-Trade Program. We would be glad to provide any assistance in developing these benchmarks.

Ingredion is looking forward to providing further support to ARB staff in this reconsideration of the Leakage Risk Classification for corn wet-milling under the Cap-and-Trade program and for the development of product output benchmarks for corn wet-milling products. If you have any questions, please contact me by phone (209) 547-8233.

Sincerely,



Roger Hoffdahl
Regulatory Affairs Manager
(209) 547-8233
Roger.Hoffdahl@ingredion.com

cc: Alan Jirik, Ingredion Incorporated
Carla Prasetyo Jo, Yorke Engineering, LLC.

Attachment 1

Major Corn Wet Milling Plants in the United States

Archer Daniels Midland Company

P.O. Box 1470
Decatur, Illinois 62525

Domestic Plants:

Cedar Rapids, Iowa 52404
Clinton, Iowa 52732
Columbus, Nebraska 68601
Decatur, Illinois 62525
Marshall, Minnesota 56258-2744

Cargill, Incorporated

P.O. Box 5662/MS62
Minneapolis, Minnesota 55440-5662

Domestic Plants:

Blair, Nebraska 68008-2649
Cedar Rapids, Iowa 52406-2638
Dayton, Ohio 45413-8001
Eddyville, Iowa 52553-5000
Hammond, Indiana 46320-1094
Memphis, Tennessee 38113-0368
Wahpeton, North Dakota 58075

Ingredion Incorporated

5 Westbrook Corporate Center
Westchester, Illinois 60154

Domestic Plants:

Bedford Park, Illinois 60501-1933
Indianapolis, Indiana 46221
North Kansas City, Missouri 64116
Stockton, California 95206-0129
Winston-Salem, North Carolina 27107

Penford Products Co.

(A company of Penford Corporation)
P.O. Box 428
Cedar Rapids, Iowa 52406-0428

Domestic Plant:

Cedar Rapids, Iowa 52404-2175



Roquette America, Inc.

1417 Exchange Street
P.O. Box 6647
Keokuk, Iowa 52632-6647

Domestic Plant:

Keokuk, Iowa 52632-6647

Tate & Lyle Americas

(A subsidiary of Tate & Lyle, PLC)

P.O. Box 151
Decatur, Illinois 62525

Domestic Plants:

Decatur, Illinois 62521
Lafayette, Indiana 47902
Lafayette, Indiana 47905
Loudon, Tennessee 37774

Source: Corn Refiners Association