



**PACIFIC COAST  
PRODUCERS**

January 7, 2010

Lucille Van Ommering  
Climate Change Cap and Trade Section  
California Air Resources Board  
Via email to: California Air Resources Board

Re: Preliminary Draft Regulation for a California Cap-And-Trade Program

Dear Ms. Van Ommering:

Pacific Coast Producers appreciates the efforts of the Climate Change team to inform the public and regulated community of the new program, and the opportunity to comment on the Preliminary Draft Regulation for a California Cap-And-Trade Program (PDR).

First, some background on Pacific Coast Producers ("PCP") may be helpful. We are a grower owned processing and marketing cooperative. Currently, we have processing facilities in Oroville, Woodland and Lodi, and a corporate office and Distribution Center in Lodi. We process and market canned and packaged fruits and tomatoes for sale nationwide under "store brand" labels. You can find our fruit and tomato products in many major grocery stores, and in many restaurants, schools and other outlets.

As a business, we operate primarily in California. Our growers are all located here, and grow their fruits and tomatoes here, providing jobs to thousands of California workers. All of our processing facilities are located in California, as well as the vast majority of our staff. We do maintain warehousing relationships across the country; however, it would be true to state that we consider ourselves to be a California company.

We are very concerned about the cap and trade program being promulgated by the California Air Resources Board. This program has the potential for severely restricting our business, potentially making us uncompetitive to foreign and even other domestic U.S. Suppliers, and significantly raising the price of food to people across the country. We are concerned, among other reasons listed below, because this program only burdens California companies. We have competitors both nationally and internationally that would not be incurring the costs related not only to the cap and trade program, but also the across the board cost increases that will result from this program, in electricity, natural gas, trucking and the like. While it is almost impossible to forecast accurately what effect this will have on our costs, from preliminary projections from other groups commenting on cap and trade, we can expect up to a 40% increase in electricity rates, 8% increase in natural gas rates, increased costs of trucking from the low carbon fuel standard, increased costs of raw product from all of the above. It would not be out of bounds to estimate that costs for PCP alone, including allowances, could rise \$4 to \$6 million annually, which costs will of necessity, be passed on to the consumer. These increased costs will not be incurred by our out of state competitors.

One of the primary uncertainties in the program, not addressed by the PDR is whether or not we will have to purchase all of our "allowances" in order to process food. We understand at this juncture that the decision has not yet been made as to whether allowances will be freely given or sold, and that decision relies on a yet to be published report from the Economic and Advisory Committee. However, we would like to take this opportunity to urge CARB to make the allowances free, or at a minimal cost to cover administration of the cap and trade program. Using the cap and trade program to generate billions of dollars of revenue (that has yet been decided how to be spent) does not accomplish the purpose of AB32, the reduction of greenhouse gases. The only fully supportable reason for charging for initial allowances is to utilize those monies to fund research into technologies that would allow regulated companies like us to reduce greenhouse gases. Any other use of those funds would in essence constitute a "tax". If a decision is made to auction allowances, then PCP urges CARB to set aside free allowances for food processing facilities. We believe that food processing is too important of an industry to cause business to reduce output in order to comply with this regulation. It would be unwise to send food production offshore.

If in fact the cap and trade program is adopted and allowances are sold, PCP also urges CARB to adopt a price collar so that we can plan our financial future. As a seasonal packer, we rely on annual "revolving" financing that will be very difficult to get should we not be able to provide projections to our financing institutions regarding the cost of production, including allowances.

Under the declining cap of this program (which again, is yet to be decided upon) businesses would be required to reduce emissions. PCP already uses clean natural gas fuels. We have retrofitted our primary boilers at significant expense in recent years (as recently as 2008), reducing emissions by 17%. Will we get credit for those reductions?

We can achieve potential reductions, perhaps even up to 8 – 10%, at a significant capital cost, however, the regulations require us to reduce 30% by 2020. Rather than expanding production, as has been the case in the past, this would force us to reduce production. Is this really in the best interest of society in the face of continued population growth? We are preserving fruits and tomatoes, items that would be highly perishable, and unable to be sold into the market in the volume that they are now, without canning. There is not the technology currently available to capture additional reductions. CARB staff has indicated that they believe new technologies will come on line, but just in case they do not do so in the time frame envisioned by CARB, we would strongly urge that a relief mechanism be put in place to allow for continued food production even though it may violate the cap.

CARB has also taken a very restrictive view of offsets in the PDR, limiting them to 4% of allowances. If the goal is reduction of emissions, then it makes no sense to restrict offsets in this manner. If the offsets truly represent a reduction in emissions, then their use should not be restricted in this manner. It may well be the most attractive alternative to reductions until improvements in technology can be made to garner further reductions.

There is also the question of “leakage” as the CARB has termed it. California currently represents 95% of the U.S. processing tomatoes. Other areas of the U.S., and of course, foreign suppliers, would love to see California processors costs grow so high that they could simply replace us. They would be replacing us in a region without cap and trade most likely. Thus, they would be increasing their emissions, and we would be out of business. What good is done to the climate by that? California already has the most restrictive emission control rules in the country. We would be replaced by less controlled emitters.

Another issue relates to the seasonal nature of our processes. We can plan for a certain volume of products, and their attendant emissions, however, what if there is a short crop – something we cannot control. We have spent tens of thousands of dollars for nothing. What if there is a long crop? We cannot preserve food for future use because we do not have allowances to emit? PCP is a mid-size company, but we are staffed very lean. We do not have a team of folks in place to participate in the cap and trade allowances market. Implementation of this program will be a steep learning curve, and, as a mid size company, without core experience in market trading, we are very concerned that we will not be able to utilize this market to the extent that electricity providers, and other fuel providers will.

Because of our seasonal processing, we urge the CARB to adopt the three year compliance period. In this way, PCP would be able to smooth out the uncertainties in its production season, knowing that it had a three year allotment to estimate.

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The cost of doing business in California is high and rising. Our company will not be one of those exiting California; indeed we are here because our grower owners are here. We strongly urge CARB to make this program workable for companies like PCP. We, and our grower owners, are committed to environmental stewardship. We have taken significant steps to reduce emissions. There are simply many elements out of our control – technology that would allow us to further reduce emissions being by far the largest impediment to further reduction.

Sincerely,

A handwritten signature in cursive script that reads "Mona Shulman".

Mona Shulman  
Vice President