July 13, 2017

The Honorable Eduardo Garcia
California State Assembly
State Capitol
Sacramento, CA 95814

Re: AB 398 (Garcia) – Oppose unless Amended

Dear Assembly Member Garcia:

The organizations below, representing the California agriculture industry, wish to express our “Oppose unless Amended” position for your AB 398, regarding the California Global Warming Solutions Act of 2006 and market-based compliance mechanisms.

Last year, SB 32 was enacted, extending California's Global Warming Solutions Act to 2030. It is important to note that SB 32 extended ARB’s authority to use command and control mechanisms to regulate greenhouse gas emissions (GHGs) into the future, with little consideration given to the costs of that measure to California’s citizens, consumers and economy. SB 32 was opposed by the agriculture industry and the larger job creation community in California because it did not attempt to balance its mandate with its economic impacts.

AB 398 and its companion measure AB 617 are intended to remedy this imbalance. Unfortunately, as currently drafted, they do not. As such, we seek the changes as outlined below.

1. Clarification of the provisions of AB 617.

We have serious concerns regarding AB 617, particularly in regards to who is covered, who is not covered and who may be covered in the future. There are provisions in the definitions section that are troubling. We also have concerns about the BARCT language for reasons we have previously stated to the Governor’s Office and legislative leadership, including our concern that BARCT for controlling GHG emissions may not be consistent with BARCT for controlling other criteria pollutants, such as NOx. Nonetheless, during our previous discussions on the bill it was stated, and restated, that AB 617 would not pertain to agriculture and agricultural processors. If that is the case and the intent, that should be clarified in the legislation through specific language. We can provide language that will remedy this issue.

2. AB 398 must expressly outline funding to help balance the burden of compliance with AB 398 and AB 617.

California’s Greenhouse Gas reduction efforts place unique burdens on California agriculture and food processors in the form of increased fuel and energy costs. Our food processors face additional competitive challenges and significant trade exposure. However, those in California agriculture are also in a position to assist in reducing GHG emissions and criteria pollutants. As such, it is appropriate and beneficial to fund various programs mentioned below which we have outlined as a percentage of the annual proceeds of the GGRF allocation which was $2.2 billion for 2017-18. These percentages need to be allocated annually until 2030:

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Food Processors</td>
<td>4.5%</td>
</tr>
<tr>
<td>Agricultural Harvesting Equipment</td>
<td>0.5%</td>
</tr>
<tr>
<td>Category</td>
<td>Percentage</td>
</tr>
<tr>
<td>-----------------------------------------------------------</td>
<td>------------</td>
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<tr>
<td>Heavy Duty Trucks</td>
<td>2.0%</td>
</tr>
<tr>
<td>Agricultural Pump Engines</td>
<td>2.5%</td>
</tr>
<tr>
<td>Tractors and Ag Equipment</td>
<td>3.5%</td>
</tr>
<tr>
<td>Dairy Bio Gas to Heavy Duty Transportation Projects</td>
<td>1.0%</td>
</tr>
<tr>
<td>Renewable Energy Projects</td>
<td>0.4%</td>
</tr>
<tr>
<td>Dairy Digester Research and Development Program</td>
<td>3.5%</td>
</tr>
<tr>
<td>Alternative Manure Management</td>
<td>1.0%</td>
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We believe each of the above components are vital to bring some level of balance to the legislation referenced above. If these changes are adopted, the organizations listed below would support AB 398.

Sincerely,

**Agricultural Council of California**
**Almond Alliance of California**
**American Pistachio Growers**
**Association of California Egg Farmers**
**Association of Wheat Growers**
**California Cotton Ginners and Growers Association**
**California Dairies, Inc.**
**California Farm Bureau Federation**
**California Grain and Feed Association**
**California Poultry Federation**
**California Seed Association**
**California Association of Winegrape Growers**
**Milk Producers Council**
**Western Agricultural Processors Association**
**Western Growers Association**

cc:
The Honorable Jerry Brown, Governor, State of California
The Honorable Kevin DeLeon, President pro Tempore, California State Senate
The Honorable Patricia Bates, Senate Republican Leader, California State Senate
The Honorable Anthony Rendon, Speaker of the Assembly, California State Assembly
The Honorable Chad Mayes, Assembly Republican Leader, California State Assembly