

Chairman Larry Goulder and Committee Members
Economic and Allocation Advisory Committee
California Air Resources Board
1001 I Street
Sacramento, CA 95814

November 25, 2009

Dear Chairman Goulder,

We are writing to encourage you to give careful consideration to the unique vulnerabilities of California agriculture to climate change. We urge you to recommend that a portion of allowance revenue be dedicated to assist agriculture in climate change mitigation and adaptation activities.

The Importance of Supporting California Agriculture

AB 32 recognizes that climate change will have detrimental effects on some of the state's largest industries, including agriculture. Much is at stake – California agriculture is a \$37 billion per year industry, and supplies 90 percent of the nation's almonds, wine grapes, apricots, raisins, olives, pistachios and walnuts, and more than half of the country's fruit and vegetables.

In a state where water is already scarce, climate change scenarios predict that water supplies will become increasingly constrained, limiting a fundamental resource for the state's agricultural industry to thrive¹. Warming temperatures also threaten to shift the kinds of crops that can be grown in the state. For example, reduced winter chilling hours may significantly decrease production of the state's lucrative nut and fruit tree industry². These and other predicted climate changes could severely strain important agricultural industries.

With well-designed incentives, certain sectors of California agriculture can take steps to adapt to climate change and may also develop voluntary programs to reduce greenhouse gas emissions and sequester atmospheric carbon. Resources are needed to better understand and implement potentially beneficial climate practices on California farms and ranches.

Agriculture Can Be Part of the Solution

Certain sectors of California agriculture may play a helpful role in meeting the objectives of AB 32. Research funded by the California Energy Commission suggests that some agricultural practices will not only reduce GHGs, but they may also help sequester atmospheric carbon in the soil³. However, because of the diversity of farming systems in the state - California produces more than 400 different crop and livestock commodities - and regional differences in soil types and climate, additional research and demonstration specific to various Californian conditions is needed. Allowance revenue can help fill this gap.

¹ California Climate Adaptation Strategy: Discussion Draft. 2009. California Natural Resources Agency. <http://www.climatechange.ca.gov/adaptation/>

² Luedeling, E., Z. Minghua, E.H. Girvetz. July 2009. Climatic Changes Lead to Declining Winter Chill for Fruit and Nut Trees in California during 1950 – 2099. *Plos ONE*. Vol. 4. Issue 7.

³ De Gryze, S., R. Catala, R. E. Howitt, and J. Six (University of California, Davis). 2008. Assessment of Greenhouse Gas Mitigation in California Agricultural Soils. California Energy Commission, PIER Energy-Related Environmental Research. CEC-500-2008-039.

Translating research findings into real opportunities for certain sectors of California agriculture to provide voluntary GHG reductions requires technical assistance. In some cases, when transition costs may be high, financial incentives for farmers are essential. Allowance revenue can turn research into opportunities for certain agricultural activities to help meet the state's GHG targets.

Important Role of Allowance Revenue

If properly designed, the offsets market may offer incentives in the future for agricultural producers to reduce GHG emissions and/or sequester carbon, but the offsets market will not provide funding for research and demonstration or technical assistance. Nor will offsets provide resources for adaptive strategies (e.g. water conservation measures, increased biodiversity). Furthermore, resources are needed to provide incentives to support early actions by farmers and ranchers to reduce emissions and/or sequester carbon. Recognizing this, the Western Climate Initiative Partners suggest that one of the public purposes of allowance revenue could be promoting emission reductions and sequestration in agriculture⁴. Also, the federal Waxman-Markey climate change bill would set aside allowance revenue for a new USDA conservation program to incentivize climate friendly agricultural practices; similar measures are being debated in the Senate.

Achieving Environmental Co-Benefits

Many of the possible agricultural practices to reduce GHG emissions and sequester carbon can offer environmental co-benefits. For example, cover cropping, improved soil management and conservation tillage can improve air and water quality, contribute to wildlife habitat values and reduce GHG emissions and sequester carbon. Allowance revenue should target such practices that provide environmental co-benefits.

Encouraging the development of voluntary agricultural practices that may reduce GHG emissions and/or sequester carbon can contribute to the objectives of AB 32. Without allowance revenue going to this critical California industry, we will miss an opportunity for California agriculture to bring reductions to the table - which we can ill afford.

We would be happy to provide the committee with any additional information. Thank you for your consideration.

Sincerely,

Jeanne Merrill
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⁴ AB 32 Scoping Plan. December 2008. Appendix D: September 23, 2008. WCI Design Recommendations (page 7).

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