

October 27, 2009

Senator Barbara Boxer
Chairwoman
Senate Environment and Public Works Committee
United States Senate
Washington, DC 20510

Senator James Inhofe
Ranking Member
Senate Environment and Public Works Committee
United States Senate
Washington, DC 20510

Dear Chairwoman Boxer and Ranking Member Inhofe:

On July 9, 2009, we sent the attached letter to you and Ranking Member Inhofe, to inform you of the views of our coalition of food, feed, ingredient, beverage, and consumer product processors, manufacturers, distributors, and retailers on prospective climate change legislation. As industries which provide abundant and affordable food and essential consumer goods to all Americans, we felt it necessary to inform you via today's letter of our concerns with climate change policies that could have direct and indirect impacts on the cost of food, feed, and household products.

We have reviewed the draft legislation you recently released as a chairman's mark. We do recognize and appreciate positive steps in certain areas, specifically the ability of a wider array of methane projects to qualify as offset opportunities. We are disappointed, however, that the draft legislation does not adopt any preemption or harmonization provisions, an omission that could result in additional Clean Air Act regulation of sources that already are subject to the emissions cap contemplated in this legislation.

As we have stated before, the facilities represented by this coalition emit roughly two percent of the nation's greenhouse gases (GHGs), but are especially vulnerable to indirect costs. Consumers of the products we produce could be negatively impacted by climate change legislation that significantly increases our energy, transportation, regulatory, and commodity costs. In our view, Congress should take care to avoid adverse impacts on food security, prices, and accessibility.

While we have a number of concerns with the draft legislation, three issues in particular are paramount as you continue to modify the bill:

- **Allowances** – It is critical that your legislation provide allowances to the manufacturers, distributors, and retailers of food, feed, and household products. The distribution of allowances should be based upon an industry's historic emissions, and additional allowances should be distributed to reflect reductions in emissions between 2000 and 2012. Our industry will be at a significant economic disadvantage to other industries and our competitors around the globe unless the legislation fairly distributes allowances pro rata across all industrial sectors. While food and beverage producers account for 1.21% of the nation's direct GHG emissions (*Carbon Risks and Opportunities in the S&P 500* at 12), if cap and trade legislation is approved, our manufacturers will be more affected by it than this modest figure suggests. All members of the

food supply chain are disproportionately vulnerable to indirect costs passed through by suppliers. When considering the total GHG emissions from each sector, including suppliers, the food, feed, and beverage sector has the fourth largest exposure to carbon costs—more than the chemical, retail, basic resources, and automobile and parts sectors. (*Carbon Risks and Opportunities in the S&P 500* at 13).

- **Preemption** – Comprehensive climate change legislation should preempt or, if necessary, harmonize state and regional climate change programs. In addition, comprehensive climate change legislation should explicitly preempt EPA regulation under the Clean Air Act, including EPA’s authority to issue New Source Performance Standards for sources that emit between 10,000 and 25,000 tons of CO₂e/year and requirements that certain sources be subject to Prevention of Significant Deterioration and Title V permitting. Exposing industry to additional regulation from either EPA or states and regions will yield little additional environmental benefit but could result in significantly higher costs.
- **Offsets** – Our organizations believe a viable offset system is essential to achieve cost containment, as demonstrated by recent EPA and CBO economic analyses. We urge the Committee to work with the food industry and our partners in agriculture and forestry to create an offset scheme that balances the need for affordable offsets with the need for productive land. In particular, we urge the Committee to devise an offset system that limits the retirement of frequently cultivated cropland. Sound climate change legislation should not pit our climate security needs against our food security needs.

We believe these issues will have a profound impact on the international competitiveness of our industry and our ability to provide U.S. consumers with abundant and affordable products. We would be pleased to discuss these or other issues related to climate change legislation with you or your staff in greater detail.

Sincerely,

American Bakers Association
American Feed Industry Association
American Frozen Food Institute
American Meat Institute
Grocery Manufacturers Association
Institute of Shortening and Edible Oils
International Dairy Foods Association
National Chicken Council
National Council of Farmer Cooperatives
National Grain and Feed Association
National Meat Association
National Renderers Association
National Oilseed Processors Association
National Turkey Federation
North American Millers’ Association
Pet Food Institute
Snack Food Association