

Senator Tom Harkin
Chairman
Senate Agriculture, Nutrition and Forestry Committee
United States Senate
Washington, DC 20510

July 20, 2009

Senator Saxby Chambliss
Ranking Member
Senate Agriculture, Nutrition and Forestry Committee
United States Senate
Washington, DC 20510

Dear Chairman Harkin and Ranking Member Chambliss:

As a coalition of food, feed, ingredient, beverage, and consumer product processors, manufacturers, distributors, and retailers, we respectfully provide you with our perspectives as your Committee begins consideration of climate change legislation, and how such legislation may impact providing abundant and affordable food and necessary consumer goods to all Americans. Specifically, as you develop climate legislation, we urge you to consider the direct and indirect impacts on the cost of food, feed, and household products.

Our facilities emit roughly two percent of the nation's greenhouse gases, but we are disproportionately vulnerable to indirect costs. As a result, poorly designed climate legislation could significantly increase the price of food and other household products. In particular, poorly designed climate legislation could significantly increase energy, transportation, regulatory, and commodity costs. These are paramount considerations Congress must consider and prioritize among the issues it addresses. Congress must take extreme care to avoid adverse impacts on food security, prices, safety, and accessibility to necessary consumer products. For this reason, we have joined together to represent the views of this vital segment of our economy as Congress debates this important issue.

If a cap-and-trade approach is taken, we believe that climate legislation should embrace the following principles:

- **Allowances** – The distribution of allowances should be based upon an industry's historic emissions and additional allowances should be distributed to reflect early action reductions in emissions between 2000 and 2012. Although we are an energy-intensive industry, H.R. 2454 fails to provide allowances to the manufacturers, distributors or retailers of food, feed, or household products and fails to provide transition assistance to low-income households struggling with rising food prices. Thus, our industry will be at a significant economic disadvantage to other industries unless the legislation fairly distributes allowances pro rata across all industrial sectors.
- **Threshold** – If a cap is adopted, EPA should not be authorized to lower the threshold for the cap in the future, or use the Clean Air Act to regulate greenhouse gas emissions from sources beneath that threshold. Capturing facilities emitting between 10,000 tons and 25,000 of CO₂e/year would more than double the number of facilities subject to regulation, but only increase the share of emissions subject to regulation by one half of one percent, according to EPA.

- **Offsets** – A viable offset system is ~~July 20, 2009~~ ^{July 20, 2009} essential to contain costs. Food processors, farmers, forest landowners, and others should be permitted to generate offsets, including efforts to capture methane either on the farm or through modifications to wastewater systems, to reduce the cost of allowances without unnecessary limitations on the quantity of available offsets. No distinction should be drawn between the use of domestic and international offsets, and no restrictions should be placed on the use of offsets by covered facilities. A well designed offset system should strike a balance between the need for affordable offsets and the need for productive farmland.
- **Preemption** – Comprehensive climate legislation should preempt or, if necessary, harmonize state and regional climate programs. In addition, comprehensive climate 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.
- **Trade** – Climate legislation should be contingent on Senate ratification of an international commitment to reduce greenhouse gas emissions that includes all major sources of emissions and should not authorize the Administration to place border measures on goods imported from other nations that do not have equally stringent limits on GHG emissions. In general, climate legislation should be designed to comply with our trade obligations. We should not demonstrate global climate leadership by undermining our commitment to global trade.

In addition, we believe that Congress should carefully consider the cost of allowances between 2020 and 2050, resolve tax treatment questions raised last month by the Joint Committee on Tax, resolve the regulation of any futures or derivatives markets that arise as a result of climate legislation, and make significant financial incentives available for energy efficiency.

As you develop climate legislation, we urge you to carefully consider its impact on the price of food and household products. We believe that H.R. 2454 will increase food and feed prices and reduce the international competitiveness of our businesses, and look forward to working with you to craft climate legislation that reduces greenhouse gas emissions but which also ensures a safe and affordable supply of food.

Sincerely,

American Baking Association
 American Feed Industry Association
 American Frozen Food Institute
 American Meat Institute
 Grocery Manufacturers Association
 Institute for Shortening and Edible Oils
 National Chicken Council
 National Council of Farmer Cooperatives
 National Grain and Feed Association
 National Meat Association
 National Oilseed Processors Association
 National Turkey Federation
 North American Millers' Association
 Pet Food Institute
 Snack Food Association