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Comment Received From: John Larrea

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CLFP Supp comments - CEC Food Production Investment Program

Additional submitted attachment is included below.

February 28, 2018

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 18-MISC-01
1516 Ninth Street
Sacramento, CA 95814-5512

RE: Supplemental Comments - Proposed CEC Food Production Investment Program

As noted in our previous comment submitted on February 26, 2018 (TN #: 222725), the California League of Food Producers (CLFP) appreciates the opportunity to provide comments regarding the California Energy Commission's (CEC) proposed Food Production Investment Program (FPIP). These additional comments focus specifically at topics raised in the CEC staff presentation made at the February 16, 2018 workshop. The CLFP and its members look forward to proposing meaningful projects and working with you and the California Air Resources Board to use the results in developing a meaningful, long-term program that helps California greenhouse gas (GHG) emission reduction goals and allows the food producers to remain competitive in California.

Program Goals (Slide 12)

The CEC staff correctly noted that food producers are a critical contributor to California's economy in terms of economic investment, jobs, and tax revenue. The program goals, however, do not reflect this value to the state. The intent behind AB 109 was to both reduce direct and indirect greenhouse gas emissions and prevent leakage from the food production sector. Consequently, a program goal should be to advance energy technologies and other approaches that both reduce emissions and avoid leakage. This goal is also consistent with a long-term vision for the program and California's climate change policy.

Eligibility (Slide 15)

We affirm our previous comment opposing a first come first served approach to distributing program funds but rather distribute funds first to food producers currently in the cap and trade program and then to those that have mandatory reporting requirements. In addition to our comment that elements beyond just new technologies should be allowed, we also believe the eligibility criteria should allow reductions of GHG emissions from all energy sources (including natural gas, electricity, diesel, and other fuels) and allow for technologies and work procured or performed outside the state of California.

Measurement and Verification (Slide 16)

CLFP agrees that measurement and verification (M&V) of individual projects is a critical component of ensuring public funds are well spent. Accurate, independent, and consistent

M&V is also critical to developing policies, regulations, and future funding plans that are aggressive but based on reality. To do this, however, the CEC should develop a program that ensures consistency in how M&V is carried out and allows for the aggregation of project results and/or comparative assessment of project impact. Because of concerns regarding the disclosure of commercially sensitive information and to ensure fair, meaningful, and unbiased M&V, CLFP believes a single public purpose based organization should be selected by the CEC as the preferred M&V practitioner for FPIP project applicants. Ideally, this organization should have extensive experience with M&V, independent reporting, and working with government agencies as well as private industries of all types and sizes.

Selection Criteria (Slide 23)

The CLFP recommends the evaluation criteria be based upon direct and indirect GHG emission reductions related to the facility's baseline. If possible, the CEC should use CARB's product benchmarks. Funding applicants should identify the baseline, all relevant multipliers, and expected reductions.

CLFP requests the CEC provide clarity if and under what circumstances "bundling" of projects together in a single proposal will be allowed. Questions to be addressed include:

1. Will bundling be allowed only for projects located at an individual facility or for project located at multiple facilities owned by the same food processing company?
2. Will bundling of projects be allowed for only a single tier or for both tiers?
3. Will bundling be restricted only to companies participating in the cap-and-trade program?
4. Will a company be allowed to bundle projects from a facility with GHG emissions over 25,000 tons with projects from another facility not subject to the cap-and-trade; or not subject to mandatory reporting?

The CEC should design the selection criteria to ensure there are no negative results (i.e. assertion of free ridership, reductions in net to gross values, denied payments...) by other programs for using FPIP funds as part of another publically funded program or vice versa. Specifically,

1. Participation in the upcoming IOU offered SEM programs should not be in conflict with FPIP, and
2. The use of IOU custom capital funds in conjunction with FPIP should be encouraged and not incur unexpected negative ramifications.

CEC Staff indicated that the market potential is being considered as a selection criterion. In reality, outside of limited qualitative statements, individual food producers probably cannot make well-founded statements regarding the full potential of a technology across their own market let alone other industrial or commercial sectors. The CEC should either drop this criterion or provide clear guidance and expectations on how to determine the market potential for a given technology.

Reporting (Slide 28)

Assessing and publically reporting the impact of individual projects is problematic due to critical concerns regarding data protection and competitiveness. CLFP recommends that the CEC develop consistent metrics of project success based upon already publically reported data by the California Air Resources Board (CARB). These reporting metrics could be based upon mandatory reporting requirements as well as the product specific benchmarks developed by CARB staff.

We recommend confidential data collected as part of project M&V be used only by approved M&V staff and publically reported when normalized or aggregated. This will allow the impact of the program to be assessed on a portfolio basis rather than just project by project. We also recommend CARB use the existing data protection mechanisms that allow them to protect GHG mandatory reporting data and to work with selected M&V practitioners who will be collecting food producer confidential data to assess individual project success and aggregate these results into a FPIP program assessment report.

Public disclosure regarding the success and market applicability of individual projects can be disseminated through qualitative reports assembled by FPIP recipients.

Technology Priorities (Slide 30)

The list of allowable technologies is quite long but could be limiting. Can this list be just used as an example of potential technologies? How will food producers know what the CEC considers “advanced” and thus acceptable as a proposal?

Long-Term Program

Throughout these comments, we have referred to the Food Production Investment Program as a long-term program rather than a one-time funding effort. Meaningful greenhouse gas emission reductions that avoid leakage in such a large, diverse, and critical industry can only be achieved through a well-planned program consisting of integrated policies, regulations, funding supports, project measurement and verification, reporting, and training. CLFP believes the CEC is well positioned to work with the industry and other government agencies to help develop and implement such a program if it adopts that vision from the beginning.

Please let us know if you have any questions.

Regards,

A handwritten signature in black ink, appearing to read "John Larrea", with a long horizontal flourish extending to the right.

John Larrea
Director of Government Affairs
California League of Food Producers