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Comment Received From: Jonatan Cvetko
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UCBA opposition to CASE energy proposal

Additional submitted attachment is included below.



11/10/20

RE: 2020 Proposed Controlled Environment Horticulture Report: **Notice of Opposition**

The United Cannabis Business Association is the premier cannabis trade association representing California cannabis operators throughout the entire supply chain from seed to sale. We have many members who cultivate cannabis using a variety of methods including outdoor, mixed-light and indoor.

UCBA strongly believes the proposed energy standards in the 2020 Controlled Environment Horticulture Report have failed to account for a variety of other important factors which invalidate any of the energy efficiency benefits. The proposed energy standards will inhibit the viability of the legal cannabis market and promote a thriving illicit market threatening both public health and safety.

While we support the concept of more energy efficient equipment for cannabis cultivation. However, UCBA believes there are more responsible ways to implement these standards which would account for the unique challenges of the cannabis market. Ultimately promoting the viability of the legal cannabis market as well as supporting the transition of the illicit market to a licensed market.

After 20 years of a quasi regulated cannabis market, in 2016, Prop 64 passed legalizing commercial cannabis activities. Prop 64 setup a dual license system, requiring local authorization in order to receive a state license. Although it's been 4 years since the passing of Prop 64, in which 73% of the local jurisdictions voted in favor, only 22 % of the state local jurisdictions allow for commercial cannabis activities. The slow adoption of local regulations have severely hindered the transition of the 20 year old quasi legal market (now considered illicit) to the licensed market. The legal cannabis market struggles to be viable against a large illicit market which has minimal enforcement and does not abide by the overburdensome regulations and taxes.

To date, the state has only issued approximately 650 retail licenses to date, while previous to Prop 64 we had approximately 6000 retail outlets. Similarly, there are still an overwhelming amount of illicit cultivators by comparison to the few licensed cultivators.

Legal cannabis operators have many costly barriers to entry to the market from license fees, limited property locations, taxes (without the ability of federal deductions), legal fees, insurance costs, and more, all in addition to their equipment costs. By comparison the illicit market has almost none of the same costly barriers.

Additionally, the majority of large jurisdictions (Los Angeles, Oakland, San Francisco, etc) have recently begun to implement social equity programs, allowing for priority licensing to those who have been previously imprisoned during the war on cannabis. The majority of social equity applicants are unlikely to have their cultivation operations running prior to January 1, 2023 when the proposed standards would go into effect. The City of Los Angeles intends to take until January 1, 2025 to issue it's social equity licenses, and it's reasonable to assume it can take up to two years after that for those license holders to become operational. Both the state and local jurisdictions continue to fund programs to help reduce the cost barriers to entry for social equity applicants recognizing that many

of them do not have access to capital that other operators may. This is all in effort to reverse the harms of past prohibition policies that led to their wrongful imprisonment.

The proposed energy standards would drastically increase the initial costs of equipment for any cannabis operator requiring them to purchase very expensive LED lighting versus the current market standard of High Pressure Sodium lighting as well as not being able to utilize stand alone dehumidification systems. These costs would be even more exponentially unfair toward social equity applicants who will not be able to set up their cultivations prior to the January 1, 2023 effective date. Such standards prove to be anything but equitable, especially without any sort of rebate incentive program in place.

Additionally, it is a general consensus of many of our members and the cannabis industry as a whole that the proposed energy standards which would require the use of expensive LED lighting do not produce a product as high quality as their cheaper HPS counterparts. Combined with the reality of a large illicit market, all these standards will do is inhibit the viability of the legal market to compete against the thriving illicit market that will continue to use the cheaper technology to produce higher quality cannabis. A strong illicit market is a threat to public health and safety. UCBA recognizes the intent of these standards to promote energy efficiency, but we have to consider more responsible ways to transition the legal market in a manner that promotes viability to thrive.

UCBA recommends the following responsible policies with regards to implementing the proposed standards:

- 1) Set the indoor horticulture PPE standard to 1.7 micromoles per joule ($\mu\text{Mol/J}$) to and allow for double-ended HPS fixtures to be used, as these fixtures are still 35% more efficient than many legacy fixtures.
- 2) If standard is Ensure energy incentives are available for growers who choose to switch to efficient LED fixtures. This proposal to mandate the use of LED fixtures undercuts utilities' ability to provide valuable and necessary incentives that would otherwise offset the additional cost of installation and use. Allow for the use of standalone refrigerant based dehumidification systems in growing facilities over 2,000 square feet. The majority of growers use standalone refrigerant based dehumidification systems due to the efficiencies at removing moisture compared to traditional HVAC systems or desiccant dehumidification systems. Growers should not be forced to use less energy efficient and ineffective equipment that could lead to higher operating costs and introduce environment related crop diseases into their facility.

UCBA offers itself as a resource in the goal towards efficient energy standards that promote the viability of the legal cannabis industry.

Thank you for the consideration,



Jonatan Cvetko
Executive Director
United Cannabis Business Association