



Agricultural Council
of California

March 9, 2026

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market- Based Compliance Mechanisms Regulation

Submitted Electronically Via: <https://carb.commentinput.com/?id=pNeRj64MA>

To Whom It May Concern:

Agricultural Council of California (Ag Council) represents approximately 15,000 farmers across California ranging from small, farmer-owned businesses to some of the world's best-known brands. Our membership includes many farmer-owned cooperatives and businesses that conduct food processing activities and as such, have to comply with the California Air Resources Board's (CARB's) Cap & Invest Regulation. We appreciate the opportunity to comment.

Recognizing the state's goal of a carbon-neutral future, we acknowledge the effects this has had on the ongoing implementation of Cap & Invest. The Agricultural Council has been actively involved in this issue since before the first auction, and our core principles remain unchanged: to ensure a Cap & Invest program that is both effective and affordable for businesses and consumers.

Affordability issues have been top of mind for California businesses and consumers alike. It is important that any rulemaking processes consider the true economic impacts of implementation. The United States Department of Agriculture's (USDA's) Economic Research Service recently stated that food-at-home prices have increased by 22.3% since 2021. New regulations should seek to minimize the impacts of the cost while working to achieve the state's climate goals.

Table 6-2: California GHG Allowance Budget through 2045

CARB presents a draft allowance budget through 2045 in the regulation. The ending allowance allocation is a fraction of the starting point identified in the chart in 2021. CARB suggests these numbers without full consideration of what is feasible over the course of the same period.

The cap decline outlined in the regulation is extraordinarily aggressive and does not allow for an ample transition period, which will further drive-up costs for the food and ag sector. Cost and import pressures remain a concern throughout the industry. As an example, even with the ongoing trade wars, imported peaches from China are down 16% from 2023 to 2025, however imports from Chile are up 73% in the same time frame. California's high costs already put California companies at a disadvantage when dealing with global economies.

Furthermore, the food processing sector continues to contract, demonstrated with the recent bankruptcy of Del Monte Foods. Smithfield Foods, Ruiz Foods and other California food processors have closed, reduced their footprint or expanded outside of the state due to increasing cost pressures in California. Cap & Invest should consider initiatives to provide affordable compliance pathways or more robust incentives to support California's food and ag sector.

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Section 95852.1 Compliance Obligations for Biomass Derived Fuels

Ag Council supports expanding the eligibility of agricultural wastes and byproducts that can be used as biomass-derived fuels. While we recognize the importance of reporting unintended emissions, reporting requirements should be structured so they do not create barriers for investors seeking to maintain and develop biomass energy projects. Increased use of biomass-derived fuels has the potential to reduce reliance on fossil fuels and contribute to the state's climate goals. In addition, further efforts should be made to promote biomass solutions that support the development of a circular economy within the Cap & Invest program. Expanding these opportunities could provide valuable outlets for agricultural waste during periods of economic stress while helping drive meaningful transformation across the agricultural sector.

Section 9582.2. Emissions Without a Compliance Obligation

We recommend adding the term "byproducts," in section (a)(3) to further demonstrate the types of ag waste and residues that can meet the prerequisites of this section.

Table 8-1: Assistance Factors and Covered Industrial Sectors

We appreciate CARB maintaining the 100% assistance factor for all industry activities through 2035. This is one way to assist in mitigating some of the costs of this regulation. Ag Council disagrees with CARB's designation of various types of food and beverage processing as "medium," risk factor and Ag Council maintains the industry belongs in a "high," leakage risk category.

California's food processing sector operates on thin margins while facing volatile input prices. Recent inflationary pressures have increased costs of various inputs including (but not limited to) packaging, transportation, energy and raw products. California also pays some of the highest wages in the country, to the benefit of the workforce, but further competing with any funds that might be utilized to make climate-friendly capital investments.

Ag Council will work with CARB to provide additional data in the coming months to assist with moving this determination ahead of the May hearing. In the meantime, any industry that sells products into retail segments that tout "always low prices," can easily be replaced by out of state or out of country, low-cost competitors.

Table 8-3: Allowances Allocated to the APCR through 2045

Ag Council urges CARB to consider a more flexible APCR in its implementation process. Because the proposed cap is drastically decreasing before 2045, CARB may need additional allowances to introduce to the market in an effort to mitigate potential price spikes.

Section 95891: Allocation for Transition Assistance and Leakage Minimization (Inclusive of the Manufacturing Decarbonization Incentive Allocation)

Ag Council supports CARB's efforts to minimize leakage through a robust assistance factor, allowance allocation and various incentive programs. We also support CARB's inclusion of additional allowances for those who can move to electrification and for those who can utilize the Manufacturing Decarbonization Incentive Allocation, however, many in the food processing sector have already achieved as much as possible and any additional projects will have minimal ROI when compared to the upfront investment costs. These entities will have to incur additional costs as part of the declining cap, without any room for further cost



reductions. Additional alternative solutions should be considered when addressing leakage for those entities that have reached technological capacity on the climate front.

Section 95973: Requirements for Offset Projects Using ARB Compliance Offset Protocols

Ag Council urges CARB to reconsider its draft language preventing the use of both offset credits and LCFS credits in the creation and support of a project. Many projects in this space have intense capital and permit costs and CARB should consider maximizing incentives to ensure the rapid adoption and success of these projects.

Section 95976: Monitoring, Reporting, and Record Retention Requirements for Offset Projects

Section (h) highlights the monitoring period for sequestration projects. In this section, CARB states that a “Sequestration Operator must continue to monitor, report and verify information for the full duration of the project life, which includes the 100-year period after the final offset credit issuance.”

Ag Council congratulates CARB on creating the state’s first ever 100-year reporting requirement, however, this provision may deter private sector investment as many companies could be reluctant to commit to any specific type of project over the course of a century.

Greenhouse Gas Reduction Fund Incentive Programs

Ag Council thanks CARB for its previous and current support of ongoing agricultural greenhouse gas reduction programs supported through the Greenhouse Gas Reduction Fund (GGRF). These programs have been vital in assisting the food and ag community in achieving our climate goals and they are just as imperative now as they were during their inception. Many of these programs are on the top of the list when compared to other GGRF programs as it relates to the climate reductions as well. Our current request includes the following highlights for the 2026-2027 budget:

- \$200 million for the FARMER program
- \$50 million for the Food Production Investment Program (FPIP)
- \$75 million for Sustainable Ag Waste Management
- \$75 million for Livestock Waste Reduction Programs

We are hopeful CARB will continue its support and assist us in prioritizing funding for these programs. If you would like a copy of our legislative request letter, please let us know.

Thank you for your consideration of our comments. Ag Council looks forward to working with CARB’s team as we embark on the next round of Cap and Invest. Should you have any comments or questions about our letter, feel free to contact me at (916) 952-9151 or emily@agcouncil.org.

Sincerely,



Emily Rooney
President

