



**TESTIMONY OF FOOD NORTHWEST**

**on HB 2020**

**before the JOINT INTERIM COMMITTEE on CARBON  
REDUCTION**

**February 11, 2019**

Good evening co-chairs and members of the committee, my name is Pamela Barrow and I am the Vice President of Energy, Environment & Sustainability for Food Northwest. Established in 1914 and headquartered in Portland Food Northwest is an association of food producers in Oregon, Idaho and Washington.

Members of Food Northwest are people who make food in the state of Oregon. We share the legislature's goal to protect and improve the environment. Food companies have spent tens of millions of dollars reducing their energy use and emissions. We are on track to meet our goal to reduce energy use and carbon emissions by 25% in 10 years and are proceeding to work toward another 25% percent reduction. We are proud that we have been a national leader in this effort. We also share the legislature's goal to make Oregon a place where its businesses are competitive and support family wage jobs. In recognition of these goals we offer the following recommendations on HB 2020:

We agree with the conclusions of Vivid Economics that food producers are emissions intensive and trade exposed (EITE). Under the cap and trade program natural gas and transportation are expected to become much more expensive. This will increase the cost of making food in Oregon by an industry that is already operating on some of the thinnest margins of any business sector. Oregon food companies face significant competition from imported food products as well as domestic food products from areas of the U.S. that lack carbon pricing or strict environmental regulations like those in Oregon.

With that in mind, we strongly support an EITE allowance allocation design that will prevent carbon and economic leakage. The proposal to allocate 100% free allowances and then to aggressively ratchet them down annually, will not provide the necessary protection for food companies. As became apparent in the Vivid Economics study, leakage of food producers is a very real risk. It will cause Oregonians jobs, especially in rural areas where food companies are the largest employers. The bill must consider how leakage protection can be effectively extended beyond the first year of the program.

We support allowing companies under the 25,000 MT threshold to opt into the program. Participation in the market could provide a means for such companies to mitigate their energy cost increases, thereby addressing leakage concerns of this group. To accommodate our trade-

exposed food companies under 25,000 MT, we would like to see the NAICS codes in the bill include the four-digit food codes evaluated by Vivid Economics as well as NAICS codes 3112 – 3119.

We urge inclusion of a means to reward companies for past actions to reduce energy use and emissions. As an industry, food producers set aggressive voluntary reduction targets and have made significant progress toward our goals. Several potential covered facilities have already achieved a 45% reduction in carbon consumption. Targets should be adjusted or delayed allowing companies to continue to invest in efficiencies instead of diverting resources to purchase allowances. Technologies that will allow companies to radically change their processes and energy consumption will not be commercially available until the later years of the program. In a related vein, we are concerned that the interim target to reduce emissions by 45% below 1990 levels in 2035 is too aggressive and fails to recognize the realities of technology costs and availability, as well as contracting, procurement and implementation scheduling.

Protection of confidential business information and trade secrets is critical. Oregon's public records laws do not provide adequate protection because the state has the discretion to decide what is protected. The proposed program will require businesses to report non-emissions production and process data for the first time. To protect the competitive interests of program participants, the bill must include new trade secret and confidentiality protections.

Lastly, this bill does not set any limits on fees. As many of you are aware, companies are being asked to pay continually increasing fees in nearly every agency program. We strongly recommend that allowance revenue fund the new agency rather than new fees.

Food Northwest appreciates this opportunity to provide feedback on HB 2020. We would like to continue to work with the Committee to ensure that Oregon sets a balanced program that avoids economic and carbon leakage, protects Oregon jobs, and supports Oregon's leadership in growing a low-carbon economy.