

TO: Chair Ken Helm
Members of House Energy & Environment
Chair Michael Dembrow
Members of Senate Environment & Natural Resources

FR: Blake Rowe
Oregon Wheat Growers League

RE: HB 4001 and SB 1507

February 5, 2018

The Oregon Wheat Growers League is committed to stewardship and sustainability and our growers have a long history of adopting farm practices that have lowered their total carbon emissions and their carbon emissions per bushel of production. No-till and reduced tillage practices, technologies like auto-steer, more efficient engines, better pesticides and application methods, and research to develop wheat varieties with better yields, disease and pest resistance are all part of our list of proactive innovations and advancements. However, even with this history, we find that we cannot support the proposed Clean Energy Jobs/Cap-and-Trade legislation.

Economic viability is a basic requirement for any carbon plan to work for wheat farmers. We are a commodity business, subject to global markets, and have no ability to pass higher costs to customers in both export (90%) and domestic (10%) markets. Businesses that are impacted by cap-and-trade proposals are key suppliers of materials (fuel, power, equipment, etc.) and services (transportation, grain handling, etc.) to our farms. Higher costs from these suppliers can't be passed to our customers.

We were participants in the interim workgroups and provided substantive feedback at all levels of this conversation over the past two years. Unfortunately, the final product as proposed contains little that Oregon Wheat needs to ease real concerns about the impact to our competitiveness as a supplier to the global wheat market. Thanks in part to Oregon's excessively high regulatory, labor and benefit costs, and declining level of state services, our growers already are dealing with extremely low, if not negative returns. The cap-and-invest policy as currently discussed will raise our costs without providing any significant benefit to growers (beyond the symbolic "we are doing something").

Growers already face all the current and future costs of adjusting to a changing climate. Oregon's cap-and-invest strategy, may make a marginal reduction in Oregon's carbon emissions, but it will not make any significant change in the future trajectory of global climate change because Oregon's share of global emissions is so small. Put another way, we will face even higher costs for transportation, power, and other materials and services, under Oregon's

cap-and-invest strategy, with essentially no reduction in the future costs of climate change. This will be the case until a huge portion of the globe matches the steps being taken by early adopters and all producers face a level playing field of production costs.

We should also be clear that the “invest” side of the policy can’t fix the competitiveness problem faced by producers. There simply are not enough dollars to make all the impacted groups whole, especially when you consider that the dollars will flow through a state bureaucracy and most of the funds will be used to finance new activities that have no significant return or benefit to the entities that “pay” into the cap part of the program.

We are also concerned about the uncertainties inherent in the legislation. The proposal appears to turn the bulk of decision-making over to a bureaucracy with few checks on the system and invests heavily in a Governor appointed task force whose primary focus has been on farm-worker safety and limiting the use of pesticides on Oregon’s farms. This legislation should not be the vehicle that permanently funds this task force without a deeper look at the make-up of the task force and its objectives and prior positions. Their focus is not on climate.

We did offer suggestions during the work group which included:

- Defer any required implementation of an Oregon program until 75% or more of the countries in the world are committed to implement similar measures. That is the only way to make sure there is level economic playing field for Oregon producers and exporters.
- Drop the insistence that Oregon’s system match the California model and the existing carbon market. Oregon should focus on reducing carbon emissions...period. The existing carbon markets are too cumbersome, require far too much complex documentation and measurement, penalize states like Oregon with higher regulatory requirements, penalize early adopters and require long term agreements that encumber the land and are unacceptable to most landowners. Oregon needs a system that works for Oregon’s economy and landowners. We don’t need to adopt problems designed elsewhere. If, at the end of the process to develop an Oregon system, the State finds that it can market our carbon reductions to an outside carbon market, that is fine. However, forcing Oregon to fit into someone else’s program is not a good approach.
- Oregon needs to ensure that early adopters are treated fairly. For instance, a grower who has already adopted no-till practices should be entitled to the same carbon credits as a grower who agrees to adopt the practice in the future. Early adopters and innovators dominate leadership in many agricultural groups including Oregon Wheat, so fair treatment for early adopters in any program is critical to gaining our support.
- The costs and benefits of cap-and-invest to Oregon’s economy, businesses, and citizens needs to be studied before any plan is finalized and implemented. The study needs to be done by an independent expert, not by advocates for or against the approach. It should look at the costs and benefits to Oregon’s economy, including export dependent industries, and consider how individual sectors are impacted or benefited.
- Other policies need to be consistent with desire to reduce carbon emissions-examples:
 - Promoting no-tillage systems while limiting availability and use of pesticides needed in these systems to control weeds, diseases, and pests;

- Promoting low emission transportation (rail and barge) while opposing capacity expansion in these systems or advocating for removal of navigation dams on the Columbia/Snake River.

We think Oregon has a lot to be proud of in its in its efforts to reduce carbon emissions. However, HB 4001 and SB 1507 would only impose real costs on agriculture and other sectors of the Oregon economy, with small and uncertain long-term benefits.