

**TO: Chair Jennifer Williamson
Members of House Rules Committee**

**FR: Blake Rowe
Oregon Wheat Growers League**

RE: -12 Amendment to HB 4001

February 22, 2018

The Oregon Wheat Growers League has reviewed the information available on the proposed -12 amendment to HB 4001 and does not believe it addresses any of the concerns previously raised by Oregon agriculture. **We simply can't afford the “cap and trust me” model proposed.**

We have consistently raised concerns with the cap-and-invest legislation for the past several years, including questions and issues we raised during the interim work group that was focused on agriculture and forestry issues and that I served on.

Specifically, the -12 amendment doesn't resolve our concerns about impacts to commodity businesses like wheat, that depend on export markets. 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 regulated by cap-and-trade proposals are key suppliers of materials (fuel, power, equipment, etc.) and services (transportation, grain handling, etc.) to our farms. Their increased costs will result in our increased costs. Higher costs from these suppliers can't be passed to our customers. None of these concerns are addressed in the -12 amendment.

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.

While the -12 amendment does delay the 'cap' discussion, we simply can't afford the “cap and trust me” model proposed. Even if the stakeholders were able to reach agreement on the “invest” side in the next 6 months, there is no guarantee the 2019 Legislature will adopt the recommendations – and if they do nothing our fate is left in the hands of un-elected regulators.

We also believe that a real fiscal discussion is necessary on this program before any policy can be adopted. We were told multiple times last week that a fiscal analysis would be provided, and yet now we may have to wait until next year. Not only are we unsure of the actual costs to the State and regulated entities, there is also not a firm figure of the “invest” dollars.

We offered several specific recommendations during the workgroup and policy hearing discussions, including:

- 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 feel that we have tried to be engaged throughout the process to develop HB-4001 and have consistently raised our concerns. These concerns remain unresolved and we don’t see any changes in the -12 amendment that will change our position on HB 4001. We urge your NO vote on HB 4001 with the -12 amendments.