

Cap-and-Trade Investments in Agriculture

Background

California's cap-and-trade program has been operating since November 2012 and revenue from the allowance auctions has raised hundreds of millions of dollars and is expected to raise billions in the coming years. In his 2014-15 budget Governor Brown included a total allocation of \$850 million from the state's cap-and-trade program. Some of the proposed allocations would be focused on these agricultural mitigation activities:

- \$100 million for implementation of regional Sustainable Community Strategies including agricultural land preservation as a component of integrated land use and transportation projects that reduce GHG emissions
- \$20 million for agricultural management strategies that improve energy efficiency and reduce greenhouse gas emission
- \$10 million in agricultural water use efficiency (allocated under the drought package recently signed into law by the Governor)

Agriculture's Role in Climate Protection

California agriculture is uniquely positioned to reduce greenhouse gas (GHG) emissions and increase carbon sequestration. Climate mitigating agricultural management practices can preserve and enhance carbon stores in soils and woody biomass, generate renewable energy and reduce methane and nitrous oxide emissions. Farmland conservation is also an essential climate mitigation strategy. Farms and ranches provide significant carbon sinks and have much lower GHG emissions compared with urban areas.

Recommendations

We support the Governor's proposal for cap-and-trade investments in agricultural solutions to climate change mitigation. We also recommend the following modifications that will enhance the ability of the state's farmers and ranchers to help meet AB 32 objectives and contribute to the goals of SB 375 and SB 535.

1. **Support farmland conservation easements by allocating 15 percent of the \$100 million for Sustainable Community Strategies to farmland conservation efforts** — We support the role of the Strategic Growth Council in administering these funds. Projects that include farmland conservation at risk of urban/suburban sprawl should be prioritized to achieve reductions in vehicle-miles-traveled and concurrent improvements in air quality—co-benefits that are central to the objectives of SB 535 and AB 32.
2. **Set up a grants program for on-farm demonstration projects** — The Governor proposes allocating \$5 million for GHG-reducing agricultural practices. To maximize the impact of this funding, a competitive grants program should be established by CDFA that prioritizes funding on both farms and ranches for demonstration projects implemented by partnerships of farmers, ranchers, researchers and technical service providers. This will both demonstrate and measure GHG emission reductions on a farm scale and also achieve actual climate benefits and environmental and health co-benefits. A technical advisory committee should be formed to guide this process.
3. **Fund additional \$5 million for agricultural bioenergy** — In addition to the proposed \$12 million for anaerobic digesters on dairies and \$3 million for biofuels, \$5 million should be allocated for other innovative and cost-effective bioenergy projects from feedstocks such as nut shells, olive pits, wine processing waste and more.
4. **Allocate an additional \$10 million for agricultural water use efficiency with a focus on grower technical assistance** — Demand for agricultural water use efficiency projects and grower technical assistance in California far exceeds \$10 million. For decades the state has under-funded technical support for on-farm water use efficiency, services that are critical to support growers in implementing new technology and practices.