California Association of Wheat Growers

May 19, 2017

In this Issue:

California Legislative Report

by Dennis Albiani, Legislative Advocate

Legislature Makes Energy and Carbon Reduction a Priority

There are several bill working their way through the process that would significantly impact the future of energy generation and energy costs. Senator De Leon introduced SB 100 in early May that would accelerate the requirements for renewable energy and create a goal for 100 percent carbon free energy by 2045. Additionally, there are three bills being advanced that will reauthorize and restructure the states “Cap and Trade” program at the Air Resources Board.

SB 100 (De Leon), the California Clean Energy Act of 2017 does all of the following:

- Establishes an overall state target of 100% clean energy for California by 2045 by directing the CA Public Utilities Commission, CA Energy Commission, and Air Resources Board to adopt policies and requirements to achieve total reliance on renewable energy and zero carbon resources by that date.
- Accelerates SB 350's 50% mandate for clean renewable energy from 2030 to 2026 and establishes a new RPS benchmark of 60% by 2030 to ensure more clean energy in the California grid sooner.
- Establishes new policies for energy companies to capture uncontrolled methane emissions from dairies, landfills and waste water treatment plants and use these clean renewable fuels to replace natural gas.
- Authorizes investor owned utilities to invest in cleaner transportation fuels such as hydrogen or waste methane gas from dairies for heavy duty trucks to replace dirty diesel fuels, provided there are no other cleaner options such as zero emission vehicles available.

California already has the most ambitious climate targets in the world and the most aggressive renewable energy targets of any economy of its size. We lead the nation in renewable energy generation, clean tech venture capital investment and patent creation and clean car technology. In 2015, the Legislature passed **SB 350 (De Leon et al),** the Clean Energy and Pollution Reduction Act, which set a 50% clean energy standard by 2030. That bill also set new requirements for doubling energy efficiency and for wide scale transportation electrification deployment. Senate Bill 32, the Global Warming Solutions Act of 2016 (Pavley), requires the state to reduce overall greenhouse gas emissions by 40% by 2030.

In order to manage the expected cost increases and provide additional flexibility several legislators have been working with the stakeholders to reauthorize the cap and trade program. **AB 151 (Burke and Cooper), AB 387 (C. Garcia)** and **SB 775 (Wieckowski)** are the three divergent cap and trade bills.

AB151 is one of two bills vying to extend the cap-and-trade component of the state's mandatory greenhouse gas (GHG) program. Last year the legislature gave the California Air Resources Board (CARB) the authority to extend the current GHG program from 2020 to 2030, but did not include the market based compliance mechanism (cap-and-trade) that is currently used to limit GHG emissions from large stationary sources. The businesses that are currently subject to the state's mandated GHG program predominantly prefer the cap-and-trade program as opposed to a carbon tax or direct regulatory control measures that are favored by the Environmental Justice (EJ) community.

The EJ community supports AB 378 which is opposed by many business groups. AB 378 extends the cap-and-trade program to 2030 but includes draconian measures that would severely impact the state's current greenhouse gas (GHG) and air quality programs. Recent amendments would create individual facility GHG emissions caps and empower the California Air Resources Board (CARB) to establish "no-trade zones" and facility declining caps. These changes, taken together, would gut the flexibility that is otherwise inherent to a cap and-trade program and instead convert it into an unwieldy command-and-control mechanism, and ultimately undermine the ability of the state to meet the state's GHG emission targets in a cost-effective way. The amendments also would require CARB to adopt new criteria pollutants and air toxics emissions standards in response to ongoing concerns expressed by the Environmental Justice (EJ) community.

SB 775 (Wieckowski) is an alternative cap and trade bill authored by Senator Wieckowski, the chair of the Senate Environmental Quality Committee. The bill places many burdens on the function of the cap and trade system including a price floor and an extremely high cap. The bill has not been set for hearing.

The agriculture community is working with other business interests to ensure the program has maximum flexibility and appropriate price caps. This will allow for business planning and long term viability of the program. As existing laws such as SB 32 and SB 1383 are implemented, it is important to have alternative compliance mechanisms and flexibility.

Several Water Bills Advance

Below is a brief synopsis of several water bills that have advanced out of their policy committees and are now awaiting review by the Appropriations Committee.

AB 1427 (Eggman) would declare that the diversion of surface water to groundwater storage would constitute a beneficial use of water. AB 1427 would provide that the five-year forfeiture period of a water right does not apply to water stored underground for later beneficial use. Farm Bureau is working with the author and others on language that would facilitate surface water diversions during periods of high streamflow for groundwater recharge, while protecting downstream water rights. The measure is scheduled to be heard next in the Assembly Appropriations Committee.

AB 1667 (Freidman) would increase agricultural water management planning requirements beyond those imposed last year by the Governor's Executive Order B-37-16. The measure imposes significant new mandates on agricultural water suppliers, costing districts hundreds of millions of dollars, including requiring infrastructure upgrades to deliver water to growers within 24 hours of a request. The measure also grants new undefined enforcement authority to the State Water Resources Control Board for water districts' failure to comply. Agriculture has been negotiating with the author and speakers office and are moving towards a bill where a neutral position can be achieved.

SB 252 (Dodd) would require new water well permit applicants in critically over drafted groundwater basins to provide their application information to neighbors. It would require cities and counties overlying critically over drafted basins to publicly notice new well permit applications and require these cities and counties to make certain new well permit information available to groundwater sustainability agencies. The measure is scheduled to be heard next in the Senate Appropriations Committee.

SB 623 (Monning) would establish the Safe and Affordable Drinking Water Fund and insure that monies in the fund are continuously appropriated to the State Water Resources Control Board to provide water to those whose drinking water exceeds the drinking water standard for nitrates. The measure has yet to identify a funding source for the Safe and Affordable Drinking Water Fund. SB 623 is scheduled to be heard next in the Senate Appropriations Committee.

National Association of Wheat Growers

AgriPulse (May 18, 2017) **Trump Administration to Start NAFTA Renegotiation**
The Trump administration today informed Congress that it intends to officially begin renegotiating the North American Free Trade Agreement with Mexico and Canada. The much-anticipated notification gives Congress a 90-day window to work with the Office of the U.S. Trade Representative, the Commerce Department and other agencies to help develop priorities in overhauling the pact with two of our largest trading partners…Wheat farmers also want to protect the gains they've made under the trade deal. "If the administration intends on renegotiating NAFTA, it must guarantee growers that new terms won't reverse the significant benefits for U.S. wheat farmers, like duty free access," said David Schemm, president of the North American Wheat Growers. "Despite the risks, there's an opportunity here to get better trade rules in place that will set the gold standard for trade agreements going forward, without hurting wheat farmers and their importing customers."

High Plains Journal (May 15, 2017) Wheat Grower Organization Welcoe USTR Confirmation
U.S. Wheat Associates and the National Association of Wheat Growers welcome the U.S. Senate's confirmation of Robert Lighthizer today as the next U.S. Trade Representative. Fair access to international markets is crucial for America's productive wheat farmers. Our organizations believe Ambassador Lighthizer fully understands that a strong agricultural economy depends on improving free trade opportunities and rules.

World-Grain (May 18, 2017) NAWG Hires Nes Government Relations Coordinator

Craig Berning has joined the staff of the National Association of Wheat Growers (NAWG) as government relations coordinator. In this role, Berning will be responsible for supporting the policy team and providing key research on NAWG's policy priorities.

Perdue Makes Debut Appearance at House Ag Hearing, Talks Reorganization, Rural, Trade Issues

Agriculture Secretary Sonny Perdue took a break from barnstorming the hinterland in May, appearing before the House Agriculture Committee for the first time since being sworn in. The sole witness in one of the panel's "state of the rural economy" hearings, Perdue shined a little more light on President Trump's agriculture priorities, defending USDA reorganization plans and gave assurances rural issues are still one of his top priorities.

House Agriculture Committee Chair Mike Conaway (R, TX) teed up the Perdue testimony using his opening statement at the full committee hearing to reference the importance of trade, deregulation/regulatory reform, realistic school lunch rules, federal biotech labeling, Mexico and sugar, trade accountability and the new undersecretary slot, service to farmers and ranchers with less money, getting cottonseed producers eligible for income supports, reforming the Margin Protection Program (MPP) for dairy, spinning out a veritable Farm Bill issues list.

Perdue's announcement that he will reorganize USDA, primarily filling a new undersecretary for trade position while eliminating the current undersecretary for rural affairs slot and rolling it into a new mission area of the secretary's office, raised concerns from some farm groups, echoed at a recent hearing. At one point he talked about an "assistant secretary" to deal with rural issues, a statement later corrected by his office, explaining Perdue was referring to an "assistant to the secretary" position on rural affairs.

He stressed elimination of the rural affairs undersecretary in favor of the new position in his office "in no way diminishes the rural development mission area, and that the new hire will have direct access to him, "so we can move quickly and nimbly with a vision for improving rural America."

He explained rolling the Natural Resources Conservation Service (NRCS), the Farm Service Agency (FSA) and the Risk Management Agency (RMA) into a new USDA farm production and conservation mission area will provide farmers and ranchers more efficient services “whether they’re signing up for a farm program, ARC, PLC, EQIP or other things.” In his original announcement, he called this efficiency “one-stop shopping” for farmers and ranchers seeking USDA assistance.

In the context of near record-low farm income – down 50% since 2013 – Perdue stressed trade is paramount. “We’ve got to sell our way out of the supply-demand situation that is depressing prices right now,” he said. He stressed the new undersecretary for trade – a position created in the 2014 Farm Bill and as yet unfilled – is going to be the ultimate salesperson, a deal maker who will spend a lot of time on the road. He said there’s nothing “anti-trade” in the Trump administration.

NAFTA Game Begins as Trump Sends Congress Formal Notice of Intent to Renegotiate

Whether it ultimately turns out to be a full renegotiation, “modernization,” or simple “tweaks” to level the playing field among the three signers, the White House formally kicked off negotiations over the future of the North American Free Trade Agreement (NAFTA) in May by sending Congress formal notification of its intent to renegotiate the treaty.

President Trump’s newly confirmed U.S. Special Trade Representative (USTR) Ambassador Robert Lighthizer sent Congress the letter in mid-May, starting the 90-day countdown to beginning formal negotiations among the U.S., Canada and Mexico. The letter assures lawmakers the administration intends to work “closely and transparently” with them, explaining it is the president’s goal to “update” NAFTA, adding provisions covering intellectual property rights, digital trade, labor and environmental standards.

Specific U.S. goals are due to Congress 30 days prior to the first-sit down meeting of the three parties as required by trade promotion authority (TPA) given by Congress to the president. President Obama came was sternly criticized by his own party when the Trans-Pacific Partnership (TPP) was negotiated, House Democrats saying they were not consulted early enough to ensure labor and environmental protections were included in the Pacific Rim treaty.

Lighthizer sought to reassure traders, particularly those in agriculture, that while he and Commerce Secretary Wilbur Ross will seek to increase manufacturing trade, that achievement won't come at the expense of active successful exporters, including farmers, ranchers and agribusiness.

Groups representing U.S. grain, feed, dairy, produce and livestock production warned the White House to not "improve" the trade deal if it means losing trade advantages currently enjoyed, including integrated supply chains facilitating the free movement of goods and components across borders.

These same ag groups encouraged U.S. negotiators to focus on updating sanitary/phytosanitary standards (SPS) included in the treaty, and Agriculture Secretary Sonny Perdue has suggested to administration trade leads that provisions negotiated by the U.S. and now part of the Trans-Pacific Partnership (TPP) could be the "building blocks" to modernize those provisions. Industry refers to the TPP SPS section as "SPS Plus," and remind the White House Canada and the U.S. signed off on the provisions during the original TPP negotiations.

Don't Cut Income Support, Crop Insurance, Says Conaway, while Trade Promo Targeted for Big Hike

Jockeying for issue prominence in the upcoming FY2018 Farm Bill is ramping up, with legislation introduced in May to double federal spending on USDA export promotion programs, and fears emerging the detailed Trump FY2018 budget will seek to cut income support and crop insurance programs.

Reportedly, House Agriculture Committee Chair Mike Conaway (R, TX) met with Office of Management & Budget (OMB) Director Mick Mulvaney to convince the former House lawmaker that President Trump should not seek to cut or cap farm income support programs, nor should he seek to cut federal crop insurance programs to save money. Conaway is a staunch supporter of both programs, and will no doubt remind

Mulvaney that the FY2014 Farm Bill is on track to save the federal government $104 billion over 10 years.

Several groups, including Heritage Action, want to see both programs cut, contending a free market is better for rural growth and competitiveness. In the FY2014 Farm Bill, dead aim was taken by several members to cap crop insurance premium subsidies, contending the government currently pays up to 62% of the average farmer's crop insurance premium, while at the same time paying down insurance company administrative costs. Critics contend this system favors large farms, and costs the government $21.08 per acre on average.

Meanwhile, Reps. Dan Newhouse (R, WA) and Chellie Pingree (D, ME) introduced legislation that would double the amount of money USDA contributes to the Market Access Program (MAP) and the Foreign Market Development (FMD) program, both geared toward selling U.S. products abroad. The Newhouse-Pingree bill recognizes neither MAP or FMD funding has been increased since 2002, and would jack funding for MAP to just under $400 million, up from the current $173 million, and increase FMD to around $60 million, from its current level of $26.6 million.

Both programs are matching funds programs, meaning groups deemed eligible put up private funds to "match" the federal contribution. Newhouse and Pingree would increase the required matching funds, currently 10% minimum on MAP, with a 50% minimum on brand-specific promotion, with similar increases for FMD matching requirements.

Trump Infrastructure Investment Plan Tilts Toward Public-Private Investment

The much talked-about infrastructure investment plan touted by the White House is looking more and more as if it will prioritize projects for federal funding if the state or local project has already secured some other form of financing, including private financing, Secretary of Transportation Elaine Chao said this week to a U.S. Chamber of Commerce audience.

"The goal is to use federal funds as an incentive to get projects underway and built more quickly," Chao said. This means greater participation by state, local and private "partners," she added, explaining the Department of Transportation (DOT) is very aware there are "few special projects" for which private sector funding will not be possible.

However, as the Trump White House looks at granting private companies tax credits for infrastructure partnerships, some on Capitol Hill say that funding mechanism may not always be possible. Rep. Martin Heinrich (D, NM) said, "Wall Street investors are going to put money, time and resources where they make the largest profit and the get the quickest return." He made the statement as a member of the House-Senate Joint Economic Committee in releasing a report on economic challenges in the rural U.S.

Heinrich said some infrastructure projects in remote rural areas aren't going to get investor attention, and the federal government will need to step up. A private-public partnership is good, he said, "if you're developing an airport. It doesn't work if you're trying to build a water project in eastern New Mexico or a highway in rural Montana."

EPA Notes

Stabenow Not Happy with Science Review Board Firings – Senate Agriculture Committee ranking member Sen. Debbie Stabenow (D, MI) is not happy with EPA Administrator Scott Pruitt for deciding to not renew about half of the contracts for scientists who sit on the agency's Board of Scientific Counselors, a panel which provides independent, third-party review of the science underlying agency rulemakings. Stabenow sent Pruitt a letter asking for details of the elimination of nine scientists through non-renewal of their contracts, how the firings might affect agency programs and actions, and if he has plans to fire scientists on other EPA advisory boards, including those dealing with pesticides and food-related issues.

EPA Sets Up WOTUS Website – A new website – replacing a 2015 Obama administration site – has been unveiled by EPA so that folks who care can get the latest information on the agency's actions to rescind and replace the controversial "waters of the U.S. (WOTUS)" rulemaking. The new site can be found at https://www.epa.gov/wotus-rule. The site is the result of agency meetings with state and local officials aimed at facilitating the development of a new WOTUS rule. Said Administrator Scott Pruitt: "This website aims to provide the public with information about our actions to meet the president's directive" to rescind and replace the Obama EPA rule. The proposed rule to rescind the rule is now at the Office of Management & Budget (OMB) for review. All pages and documentation from the Obama administration site will be available through www.archive.epa.gov.

EPA Wants Comments on Pyrethroids – EPA reopened its comment period on its ecological evaluation of the popular pesticide chemical class called pyrethroids. The pesticide is used on a wide array of crops, including corn, soybeans, alfalfa, apples, almonds and citrus fruits. The agency is encouraging farmers producing any or all of these crops to comment. Several manufacturers of the chemical, including FMC, AMVAC, BASF, Bayer, Syngenta and Valent BioSciences, have set up a website for information about the insecticide, its uses, science, etc. The website can be found at http://pwg2pmp.com/.
