



July 14, 2017

The Honorable Anthony Cannella
California State Assembly
P.O. Box 942849
Sacramento, CA 94249-0062

RE: AB 398 (E. Garcia) - California Global Warming Solutions Act of 2006: market-based compliance mechanisms

Dear Senator Cannella:

Hilmar Cheese Company, Inc. (HCC) SUPPORTS Assembly Bill (AB) 398 which extends California's Greenhouse Gas (GHG) Cap-and-Trade program post-2020. Overall, HCC believes that AB 398 recognizes that the economics and science support that HCC, and all California food processors, be given adequate industry assistance. Additionally, AB 398 helps to ensure that HCC has the ability and options to select and implement GHG strategies that provide opportunities to control costs, while allowing us to continue to meet our current and future GHG compliance obligations.

As currently proposed, AB 398:

1. Provides 100% allowance allocations for facilities from 2020 to 2030.
2. Adjusts the 3rd compliance period (2018 through 2020) allowances to 100%.
3. Provides a price ceiling on the price of allowances starting 2020.
4. Adjusts the cap adjustment factor setting it to the rate of cap decline.
5. Establishes the Emissions Market Advisory Committee to oversee Cap-and-Trade which will provide HCC and other the food processors an opportunity to seek changes in the program should it become necessary.
6. Requires that the Air Resources Board, in the ongoing development of the Cap-and-Trade regulation, must rely on the best available economic and scientific information available.

AB 398 provides a seamless transition that will contribute much needed consistency in the program through its reform of the market design and additional oversight and accountability. It is needed to prevent further economic leakage and to protect our company from a deterioration of competitiveness against competitors both national and international.

The alternative to extending California's Cap-and-Trade program is a far costlier command-and-control regulatory scheme that could lead to higher energy prices for our facility and our customers without providing any additional benefits than those provided by AB 398.

For these reasons, Hilmar Cheese Company SUPPORTS AB 398 and requests your "Aye" vote on this important bill.

Sincerely,
HILMAR CHEESE COMPANY, INC.

David Ahlfm, CEO & President

Headquarters & Innovation Center

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