

Talking Points – H.R. 2454 Waxman/Markey Climate Change Bill

- The direct cost of allowances for entities that emit more than 25,000 tons of CO₂ will be directly added to the operating cost of each facility. One can safely assume that **firms would seek to cover added costs by passing them forward or backward in the supply chain.** This will inevitably impact costs for consumers, returns for producers, or a mix of both.
- The allocation formula in the Waxman-Markey bill exempts through 2029 some of the most high intensity users of energy from needing to purchase a significant portion of their allowances. Meanwhile, food production facilities will have to purchase allowances. At the same time, they will be competing in energy markets with those that received a significant portion of their allowances for free. It is unclear how this imbalanced competition in the energy market will impact entities that must continue to pay full price for allowances. We are also focused on the downstream effect of this cost structure for the farm gate and at retail for consumers.
- Not only is it important to understand the direct cost of allowances, **it is equally important to understand the added indirect impact of higher energy costs on the food production chain.** These costs would impact not only those above the reduction threshold, but those below it as well. Free allowances to the energy producing sectors will only cover a portion of their CO₂ emissions, so even though free allowances will not end until 2029, the impact of higher energy prices will begin to be felt immediately. **The impact of higher energy costs on consumers, producers and processors is not yet well understood, but it will not be marginal.**
- It is surmised that the legislation would create incentives for the use of more efficient methods of production, resulting in the use of less energy. But as the Committee understands, **our industry relies heavily on the use of heat for the sanitation of facilities and the protection of consumers from food-borne pathogens.** We can safely project that the current legislation **would make food safety interventions more expensive.** Despite the demand created by the legislation to reduce energy usage, this is not a place where our companies can responsibly make energy reductions.
- **During these difficult economic times, we believe it is unwise to insert additional economic uncertainties into an already fragile marketplace.** Given the absence of a more thorough examination of this monumental bill and its economic consequences on the food supply chain and American consumers, **we respectfully ask that Members not support passage at this time.**