Independent grocers, which make up 50% of the market by facility count in California, are the only source of fresh food within a reasonable driving distance for many California communities. These markets are often the last line of defense between many under resourced communities and food deserts, however these independents lack cash, credit, know-how, and ready supply chains to convert to low-GWP refrigerants. Our extensive experience in working with independent grocers in California shows that many do not currently have any knowledge of California legislation on refrigerants and lack any plan to meet the State’s phase-out laws.

Just less than 20 percent of the US population now lives in food deserts, a number that would likely grow with the loss of independent local grocers which will disproportionately impact communities of color. The high cost of complying with phase-out laws will further erode the lower-than-average profit margins experienced by stores in and near food deserts. This in turn would force independents out of those areas and expand food deserts.

Unlike other carbon mitigating upgrades such as energy efficiency, HFC gas swap outs and system conversions have no return on investment, so there is little if any business benefit. While large retailers like Walmart and Target have the necessary financial and technical wherewithal to comply with phase-out regulations, and have begun converting, there is currently no viable demonstrated business model for independent grocers. As such, the business-as-usual approach to stimulating HFC conversions (i.e. simply offering rebates) is working for large brands but is failing to serve independent grocers proportionally.

A method of technology deployment known as “Direct Installation” has proven to address these equity challenges in its use for the scaled deployment of other technologies over the lasts two decades. Direct Installation is a one-stop, turnkey service package that would provide the independent food retailer with consultation, education, design, permitting and installation of appropriate refrigerants and refrigeration systems.

Direct installation has a track record of success when markets fail to respond to typical “passive” incentives alone. It has been successfully utilized in energy efficiency deployment for at least 20 years within California. Likewise California’s investor owned utilities are currently using Direct Installation for EV charger deployment in hard to reach multifamily housing and small business customer segments. It is important to note that Direct Installation is not simply offering technical assistance in parallel to incentive programs, rather it is a bundled programmatic offering that CARB would fund “implementers” (for profits and/or nonprofits) bid and are hired to deliver a bundled solution from start to finish.

This direct installation package is provided at no cost and would utilize local trades people at prevailing wages. The model bundles the buying demand of the independent grocers, leveraging economies of scale currently only available to larger chains and passing those savings on. Likewise, the model accelerates adoption in an otherwise hard to reach segment of the market, driving market transformation and supporting CARB’s aggressive timelines for the transition.

Simply put, without such a program solution, incentives will continue to confer inequitably to the large well-resourced retailers stranding the GHG reduction potential within most independent food retail facilities.

Direct Installation solves for both capital “E” Equity, where designated disadvantaged and income-qualified communities are served as well as the broader concept of lowercase “e” equity where naturally occurring underserved/disadvantage communities (such as the wider population of residents living near independent grocers) are receiving proportional benefit by reducing cost burdens for these retailers, resulting in less upward pressure on prices at the register and avoiding loss of stores due to insolvency.

Thank you for this opportunity to provide our perspective to help equitably achieve the State’s GHG reduction goals.

Thank you,

Mahlon Aldridge

Vice President Strategy

Ecology Action