



February 14, 2014

Ms. Caroll Mortensen, Director
CalRecycle
1101 "I" Street
Sacramento, CA 95814

Re: Comments on Budget Change Proposal, Proposed Loan and Grant Programs for Greenhouse Gas Reduction

Dear Ms. Mortensen:

The Bioenergy Association of California (BAC) submits these comments on CalRecycle's Budget Change Proposal for loan and grant programs to reduce greenhouse gas emissions. BAC strongly supports the use of cap and trade revenues for greenhouse gas reductions from the organic waste sector. We are also very grateful for CalRecycle's leadership in this area, particularly your recognition of the opportunities to reduce greenhouse gas emissions from organic waste and your agency's continued commitment to an open, public process to increase organic waste diversion and conversion.

We offer the suggestions below to maximize emission reductions and other benefits from the use of this funding. This is an opportunity to make truly transformative changes that convert organic waste to clean energy, low carbon fuels, compost and other beneficial uses that reduce greenhouse gas emissions and environmental justice impacts, as required by AB 32 and subsequent legislation. To achieve the goals of AB 32 and maximize other benefits, BAC recommends the following changes to the Budget Change Proposal (BCP) and associated Loan and Grant Programs:

- Both the Loan and Grant Programs should increase the emphasis on greenhouse gas reductions in the scoring criteria;
- The BCP, Loan and Grant Programs should be limited to organic waste, which offers greater greenhouse gas reductions and has far less funding from other programs than non-organics recycling;
- The Programs should be technology neutral or, at a minimum, not exclude technologies that can provide equal or greater greenhouse reductions;
- The Programs should be closely coordinated with the AB 118 and EPIC programs to maximize greenhouse gas reductions and other benefits;
- CalRecycle should confirm that co-digestion at a wastewater treatment facility is eligible for these programs;
- CalRecycle should increase the minimum grant size to encourage shovel

- ready projects; and
- CalRecycle should complete the lifecycle assessment of greenhouse gas emissions and reductions from organic waste diversion and conversion, as promised in its technical paper on “Composting and Anaerobic Digestion,” released in September 2013.¹

1. The Loan and Grant Programs Should Place Much Higher Priority on Greenhouse Gas Reductions.

BAC urges CalRecycle to put much greater emphasis on greenhouse gas reductions, which is the purpose of the cap and trade program, including the use of cap and trade revenues. The proposed Scoring Criteria for both the Loan and Grant Programs only attribute 25 points – one quarter of the total – to greenhouse gas reductions. This is inadequate for a program that must be focused on greenhouse gas reduction.

California is required to use cap and trade revenues to further the goal of AB 32, which is greenhouse gas reduction. A California Superior Court recently underscored this in its decision upholding the cap and trade program as long as it is closely tied to and furthers the purpose of the statute.² If spending proposals dilute the emphasis on greenhouse gas reductions, they put the entire program at risk legally and fail to maximize greenhouse gas reductions.

BAC urges CalRecycle to increase the emphasis on greenhouse gas reductions, both in its scoring criteria and in the project eligibility guidelines. In particular, we recommend that CalRecycle attribute at least 40 points (40 percent of the total) to greenhouse gas reductions by eliminating the separate criterion on tons of source reduced material. As several participants at the February 6 Workshop noted, this second criterion could discriminate against smaller and rural jurisdictions and should only be relevant to the extent that it relates to greenhouse gas reductions. CalRecycle could also increase the weight given to greenhouse gas reductions by making the administrative and budget criteria into threshold requirements rather than scoring criteria. Either way, CalRecycle should significantly increase the emphasis on greenhouse gas reductions to clearly and effectively further the purpose of AB 32.

2. The Loan and Grant Programs Should be Limited to Organic Waste

BAC supports efforts to increase recycling of non-organics, but including recyclable commodities manufacturing facilities in such a limited program will dilute the program’s ability to stimulate truly transformative changes in the waste sector and will reduce its overall effectiveness in reducing greenhouse gas

¹ *Composting and Anaerobic Digestion*, released by CalRecycle on September 17, 2013, at page 5. Note 3 states that “additional work is on-going to include the downstream process emission benefits in the AD ERF in addition to the avoided landfill methane emissions benefits of AD that are included here.” The paper also states that “Additional research is needed to better quantify the benefits from avoided landfill emissions and anaerobic digestion.” Id at page 5.

² *California Chamber of Commerce v. ARB and Morning Star Packing Company v. ARB*.

emissions. As CalRecycle notes in its Budget Change Proposal, the recycling industry has already received \$128 million in RMDZ loans for 179 different recycling projects in California. The recycling industry is considerably larger and more mature than either the bioenergy or compost industry in California. The very limited funding available in this first cap and trade spending plan would be unlikely to stimulate significant change in the traditional recycling industry, but it could make a significant difference to organics recycling. California already has hundreds of recycling facilities but only 6 anaerobic digestion facilities taking diverted organic waste.³ An additional \$5-\$10 million for grants and loans to the bioenergy industry could help increase the number of facilities significantly and also provide much more significant greenhouse gas reductions from both the waste diversion and fossil fuel displacement.

3. CalRecycle Should be Technology Neutral and Not Exclude Technologies that Provide Equal or Greater Greenhouse Gas Reductions.

BAC urges CalRecycle not to limit the eligibility of bioenergy projects to anaerobic digestion. Although anaerobic digestion is at present the most widely used technology to convert organic waste to energy, biomass gasification of organic waste and other technologies may provide equal or greater greenhouse gas reductions, which must be the primary emphasis of this program.⁴ For a relatively immature industry, it is especially important to encourage all technologies that can meet the program goals, in part to better assess the different impacts and benefits, but also to avoid picking winners and losers before the industry is mature. Different technologies may also be better suited to handling different parts of the organic waste stream.

4. CalRecycle Should Coordinate Closely with the CEC.

We urge CalRecycle to work more closely with the California Energy Commission on the program elements related to clean energy development from organic waste. Although CalRecycle has worked closely with the Air Resources Board, it is not clear whether the agency has coordinated with the CEC to ensure that these programs align with AB 118 and EPIC goals to maximize overall greenhouse gas reductions and other benefits. The CEC can be especially helpful in designing programs intended, at least in part, to develop new clean energy facilities, developing grant scoring criteria related to clean energy, and in assessing the relative carbon benefits from different bioenergy projects.

5. CalRecycle Should Confirm that Co-Digestion is Eligible.

There are enormous opportunities to divert food waste and FOG to wastewater treatment facilities with anaerobic digestion capacity, to produce clean energy

³ *Composting and Anaerobic Digestion*, above, at page 4.

⁴ See, eg, “*Lifecycle Assessment of Existing and Emerging Distributed Generation Technologies in California*,” prepared for the California Energy Commission by the National Renewable Energy Lab, July 2011. CEC 500-2011-001.

and fuels. Co-digestion at wastewater treatment facilities could generate 450 MW of clean, renewable electricity in California. It also has the potential to provide much-needed energy storage in the form of increased biogas production that can be stored and utilized at peak demand times. We urge CalRecycle, therefore, to explicitly include co-digestion at wastewater treatment facilities in its eligibility guidelines for these Programs.

6. CalRecycle Should Increase the Maximum Grant Size.

We urge CalRecycle to increase the maximum grant size to \$4 million per project to ensure that the grants will be sufficient to incentivize projects in the short timeframe allowed. Given the necessary capital costs, requirement to be shovel-ready, permitting and other constraints, sufficient grant funding is important to ensure a successful program.

7. CalRecycle Should Complete a LifeCycle Analysis of Downstream GHG Reductions.

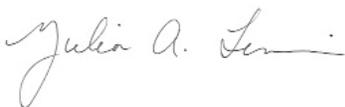
We cannot overstate the importance of completing a lifecycle analysis of downstream greenhouse gas emissions and reductions. For these programs to accurately assess the relative benefits of different proposals and projects, accurate quantification of the greenhouse gas reductions is critical. This is important for both bioenergy and composting, which can displace fossil fuel use in electricity, transportation, fertilizer and other areas.

CalRecycle noted in its September technical paper on *Composting and Anaerobic Digestion* that additional research is needed and that additional work is ongoing, yet it is not clear where that work is taking place, what it encompasses or when it will be complete. How can CalRecycle accurately assess the relative reductions from different projects without this assessment?

We urge CalRecycle to clarify what the status and focus of the assessment is, whether additional agencies are involved, and when it will be available for public review and comment. This is a critical underpinning for CalRecycle's work on AB 32.

Thank you for your consideration of these comments and your ongoing leadership in this field. We look forward to working together on successful implementation of these programs.

Sincerely,



Julia A. Levin
Executive Director