



SUBMITTED ONLINE

March 8, 2013

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Cap-and-Trade Auction Proceeds Investment Plan, draft concept paper of February 15, 2013

Dear Chair Nichols:

On behalf of Dairy Cares, thank you for the opportunity to submit the following comments regarding the above-referenced concept paper. These written comments come in addition to our spoken comments at the February 25, 2013 workshop in Sacramento.

Dairy Cares is a coalition of California's dairy producer and processor associations, including the state's largest producer trade associations (Western United Dairymen, California Dairy Campaign, Milk Producers Council and California Farm Bureau Federation) and the largest milk processing companies and cooperatives (including California Dairies, Inc., Dairy Farmers of America-Western Area Council, Hilmar Cheese Company, and Land O'Lakes, Inc.). Formed in 2001, Dairy Cares is dedicated to promoting the long-term sustainability of California dairies.

Dairy Cares joins the Agricultural Energy Consumers Association and the Bioenergy Association of California in strongly supporting investment of Cap-and-Trade Auction proceeds toward construction and implementation of dairy biogas projects. These projects provide direct environmental benefits by reducing greenhouse gas production and replacing fossil fuels. Dairy biogas projects have the potential to reduce as much as 6 million metric tons of carbon dioxide equivalent emissions by capturing methane and converting it to renewable electricity and transportation fuels.

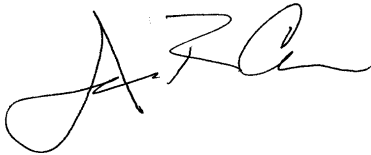
Dairy digesters provide one of only four opportunities for approved carbon offsets under the Cap and Trade program. As CARB has repeatedly recognized in the implementation of AB 32, offsets are an important tool to provide flexibility and cost containment for regulated entities. Finally, dairy digesters represent an important opportunity to reduce diesel emissions in the San Joaquin Valley as a viable transportation fuel source. Conversion of dairy biogas to renewable

compressed natural gas (RCNG) represents an important opportunity to replace diesel burning fleets in the San Joaquin Valley with low-carbon RCNG. Dairy biogas to RCNG actually has the ability to create carbon-negative transportation fuel because of the combined methane capture and fossil fuel displacement. The resulting reductions in diesel particulate matter emissions would also go a long way to improving air quality for disadvantaged communities throughout the valley. Commercialization of dairy biogas to RCNG projects represent the exact sort of “transformative” program CARB is seeking to fund with revenues from the AB 32 program, as does use of dairy biogas for generation of renewable electricity or a replacement for other uses of fossil natural gas.

Despite these significant benefits and much unrealized potential, dairy digesters remain uneconomical due to high environmental compliance costs, and lack of energy power purchase agreements. As a result, funding to incubate and incentivize sustainable dairy digester projects is desperately needed.

Once again, thank you for the opportunity to provide comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'J.P. Cativiela', with a large, stylized initial 'J' and 'C'.

J.P. Cativiela
Program Coordinator

C: Charles “Chuck” Ahlem, Dairy Cares Chairman