June 12, 2015

The Honorable Mary Nichols, Chair
The Honorable Richard Corey, Executive Officer
California Air Resources Board
Sacramento, CA 95814

Re: Comments on the **Short-Lived Climate Pollutant Reduction Strategy** Concept Paper

Dear Chair Nichols and Mr. Corey:

On behalf of Harvest Power California, LLC ("***Harvest Power***"), I write to express strong support for the *Short-Lived Climate Pollutant Reduction Strategy* ("***SLCP***") Concept Paper. The Concept Paper provides an excellent summary of the science and the urgency of reducing SLCPs and a very good starting point for developing strategies to reduce SLCPs. We look forward to working with the Air Board and other stakeholders to develop a strategy that will reduce SLCPs and other pollution while helping to meet the state's clean energy, waste diversion and other important goals.

Our comments are based on the experience and expertise of the family of companies under Harvest Power, Inc., which include some of the largest anaerobic digestion facilities in North America, as well as some of the largest food scrap and yard debris composting facilities. Our affiliated companies are successfully operating three digesters with a combined annual generating capacity of 65,000 megawatt-hours. We manage more than two million tons of organic material annually, including pre- and post-consumer wastes, through a network of 30 anaerobic digester and compost operating sites in North America. We are also very familiar with California's requirements for organic composting facilities. Our current operations in California include two compost facilities in addition to several anaerobic digester projects now under development. Harvest Power, Inc.'s leadership in the industry has given us a deep understanding of the complexities of creating, sustaining and utilizing feedstocks derived from pre- and post-consumer organic wastes; developing, permitting and financing bioenergy facilities; and building, operating and maintaining those facilities.

Harvest Power is a member of the Bioenergy Association of California ("***BAC***"), and generally supports BAC's comments. We also take note of and express support for the comments submitted by the California Association of Sanitation Agencies. We provide our additional comments to address specific concerns, as well as to provide additional context based on our extensive experience with the diversion and recycling of organic feedstocks, both for composting and for use in bioenergy facilities that to generate reliable power.

A. Support for a Comprehensive Strategy and Process, Including Active Participation of Other Agencies

The Concept Paper advocates continued development of a comprehensive approach to addressing climate change generally, and SLCPs specifically. The need for a comprehensive approach has been identified

and reaffirmed successively in the 2014 Scoping Plan Update, Senate Bill 605 (Lara, Chapter 523, Statutes of 2014), and in Governor Brown's 2015 Inaugural Address. In the Concept Paper, the ARB rose to this challenge, both in its review of the science behind SLCPs and in the menu of policy options it posed for consideration. We congratulate the ARB for doing so.

The problems are complex and the needed policy responses do not fall neatly into the jurisdictional mandates of California's various executive agencies. While the ARB has taken the leadership role assigned to it under SB 605 in coordinating a comprehensive strategy, the various sister agencies such as CalRecycle, the Public Utilities Commission, the Energy Commission, the Water Board, the Department of Food and Agriculture, and CalFire must also engage in a serious and significant way in ARB's consultative process in the months ahead. We encourage ARB to continue its consultations within the Executive Branch and call on other agencies to engage constructively in development of solutions.

At the same time, we at Harvest Power recognize that solutions need to be proposed and developed through broader groups of stakeholders, rather than by having individual companies and narrowly-focused interest groups each advocating for its pet solution. We have begun our own consultations with other private-sector, public-sector, and non-profit parties and encourage other stakeholders to join in such collaborative discussions.

B. Support for a Strategy of Putting Organic Waste to its Most Beneficial Use

The Concept Paper proposes a goal of putting organic wastes "to its most beneficial use," both to "reduce SLCP emissions and [to] produce maximum value from the energy and nutrients that remain in these sources." This goal is critical, given ARB's analysis finding that up to half of the state's methane emissions may be attributed to the handling of organic wastes. (*See* Figure 2: California 2013 Methan Emission Sources," Concept Paper, p. 17). We strongly support the general goal, as well as the specific sub-goal of diverting 90 percent of organics from landfills through source reduction and organics recycling by 2025.

The 90% organic diversion goal is especially important: one of the most significant barriers to the development of the anaerobic digestion and composting infrastructure needed is uncertainty over the quantity and pricing of feedstocks. A large, secure demand for organic feedstock recycling services at favorable prices would make it easier for project developers to secure financing; in turn, a significant increase in the number of facilities being built will help drive costs down.

While achievement of these goals is both laudable and necessary, it will not be easy. The Concept Paper identifies numerous barriers: cheap and abundant landfill capacity; the technological and cost challenges of developing projects that improve and protect air and water quality; the unnecessarily long and costly process of utility interconnection for both electric power and gas; the need to develop stronger markets for the co-products of organic waste recycling, including composts, fertilizers, and soil amendments; and so on. This partial list illustrates our earlier point regarding the need for coordinated agency action, since addressing these various barriers requires action from not only the Air Board, but the Water Board, CDFA, CalRecycle, and CPUC—not to mention municipalities, local enforcement agencies, and the private sector. It would be beneficial if one outcome of the SLCP Strategic Plan is guidance to these myriad agencies about the importance of SLCP policies, relative to other, potentially competing policy objectives.

As one specific example of competing policy objectives, consider the tension between increasing the diversion rate of organics from the municipal solid waste ("***MSW***") stream on the one hand and developing markets for composts and fertilizers on the other. Long experience in the recycling markets establishes that

diversion rates will go up ***if*** the waste processors accept more contaminated loads. Therefore, a 90% diversion goal will be more easily achieved if businesses and the public are given greater latitude to mix inorganic materials into their organics. Unfortunately, it is technologically challenging and expensive to fully remove inorganic contaminants, so the resulting products compost and soil products will be low-quality and of limited marketability if incoming contaminant levels are too high. To its credit, CalRecycle has recognized these competing objectives in its recent and ongoing updating of composting regulations, and has worked with stakeholders to find an appropriate balance. This approach will need to be repeated across numerous issue areas, often with involvement of multiple agencies.

C. Need for Comprehensive Cost Analysis to Underpin Policy Choices

After recognizing the benefits of maximizing the beneficial re-use of organics wastes, the Concept Paper states that "in developing the Strategy, the State will work with researchers and stakeholders to identify the cost, feasibility, and potential funding mechanisms, incentives, regulations and other strategies – on the supply and demand side – to maximize the beneficial use of organic waste." We strongly support this commitment to cost analyses, and encourage the State to provide adequate funding to support the work, if necessary through supporting third party analyses. Without a good understanding of costs, there is a risk that incentives will be inadequate and fail to jump-start market responses; or conversely will induce over-investment that saturates and depresses markets.

Costs must also be understood so their burdens can be wisely and fairly allocated. For example, achievement of the 90% organics diversion goal implies large scale food-waste recycling in dense urban areas, which in turn will require sophisticated anaerobic digestion facilities, located on (relatively) expensive land, with state-of-the-art odor and air emissions controls. They will be expensive—but like any expensive asset, can and will be built by the private sector if the right mix of market demand, incentives, and other support make profitable operation reasonably likely. If not, the facilities won't be built unless the public sector picks us the entire tab itself. Understanding the costs of a built-out organics beneficial re-use infrastructure will go a long towards defining the problem to which the array of "potential funding mechanisms, incentives, regulations and other strategies" are intended to the answer.

While researchers and stakeholders can be expected to contribute data and information, it would be helpful to have a credible third party validate and synthesize the data and present it in ways that support the policy development process.

D. Need for a Balanced Approach to Allocating Costs between Energy Sector and Other Sectors

The Concept Paper makes a compelling case that cutting SLCP emissions will yield wide-spread benefits. For methane, the strategy calls for capturing as much biogenic methane as possible and utilizing it as a form of energy. In this approach, the climate-change benefits derive from two distinct sources: avoided methane emissions and from displacing fossil fuels. A contentious issue, of course, will be who will pay the costs associated with achieving those benefits.

In the regulated energy sector, Public Resources Code § 740.8 defines the term ratepayer "interests" to "mean direct benefits that are specific to ratepayers in the form of safer, more reliable, or less costly gas or electrical service, consistent with Section 451, and activities that benefit ratepayers and that promote energy efficiency, *reduction of health and environmental impacts from air pollution, and greenhouse gas emissions related to electricity and natural gas production and use*, and increased use of alternative fuels." (emphasis added). By extension, it is appropriate that at least some portion of the added costs of expanded

use of biomethane (for example, the cost to interconnect an anaerobic digester to the gas grid) be borne by ratepayers.

At the same time, electric and gas utility ratepayers are not the only beneficiaries of SLCP-emission reductions and, as noted, a major portion of the emission-reduction must be associated with activities such as landfills and agriculture that are distinctly different from the use of fossil-based fuels. It would therefore be unfair for all the costs of SLCP-emission reduction to fall on electric and gas ratepayers, merely because those sectors are partially regulated and government (through the CPUC) has greater ability to influence pricing than in other sectors. Additional sources of financial support must therefore be found for the needed programs. We strongly support the increased use of AB 32 ("Cap and Trade") revenues for these purposes, and also encourage ARB to devote and other stakeholders to try to develop additional mechanisms for allocating the costs of reducing SLCP emissions from specific activities to those who benefit from those activities.

We look forward to working with the Air Board and other agencies and stakeholders to develop and implement a successful strategy to reduce SLCPs. The Concept Paper has provided a solid foundation upon which we all can build.

Sincerely,

Wayne H. Davis
Vice President, Government & Regulatory Affairs