ASSOCIATION OF COMPOST PRODUCERS
"We Build Healthy Soil"

CA Association of Compost Producers
STATE CHAPTER OF THE U.S. COMPOSTING COUNCIL

November 13, 2015

Richard Corey, Executive Officer
California Air Resource Board
1001 I Street, P.O. Box 2815
Sacramento, CA 95812-2815

Subject: Cap-and-Trade Auction Proceeds Second Investment Plan: Fiscal Years 2016-17 through 2018-19
Via: Website Post:
http://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=investplan2-ws&comm_period=1

Dear Chair Nichols:

The Association of Compost Producers (ACP) is pleased to offer this letter of comments and recommendations on the California Air Resources Board, Draft Short-Lived Climate Pollutant Reduction Strategy. ACP is a non-profit trade association founded in 1995, and now has over 100 public agency and private company compost producer members in California. The ACP members, who manufacture and sell compost throughout California, explicitly state in our mission that we are *"dedicated to increasing the quality, value and amount of compost being produced and used in California."*

In general, ACP members strongly supports both the *outline and direction* stated in the Cap-and-Trade Auction Proceeds Second Investment Plan: Fiscal Years 2016-17 through 2018-19 ("Plan"). This Plan will move California in a positive direction for investing in renewable carbon management, using organic residual feedstocks to support both sequestering more carbon in the soil, vegetative carbon in plants as well as renewable carbon based energy (biofuels). We provide here our comments and specific recommendations on the process of CARB and other government agencies can work more closely with the California compost industry, i.e. ACP members, who are continuing to expand the production and marketing of compost, a central beneficial renewable carbon based product, known to provide many integrated greenhouse gas reduction benefits.

Specifically, for the GGRF funds to effectively reach the environmental goals for which they are intended, we believe that they *must specifically address the quantifiable details of three interrelated markets of:*

1. organic residual *feedstocks*,
2. organics processing and transformation *technologies*, and
3. the portfolio of *bioproducts* produced.

This comprehensive perspective will be essential when making specific facility and programmatic investment decisions that will produce the intended results of the Plan. In order for the Plan to produce the GHG reduction goals, it must embody the following elements:

1. Comprehensive Organics Residuals Market Perspective
2. Organics Residuals Market Data, Algorithms, Information
3. Practical/logistical Coordination
4. Specific Projects/Initiatives to achieve integrated social, environmental and financial results

We take each of these recommended elements above and provide a little more detail in this letter, but also remain willing and able to work directly with CARB staff to implement and realize these recommendations for the benefit of all Californian's and our unique and diverse environment. The fundamental principle behind this approach is*: "To invest funds intelligently, one must understand the markets that they are investing in."* One of the fundamental unspoken assumptions of the Plan is that we do understand how to make these new comprehensive and integrated investments. Yet *there is no precedent, proposed model, methods, or intelligence gathering processes to track these investments, that are given in the plan itself.* We outline here a recommended approach that is based on an system composed of the four elements outlined above.

1. **Comprehensive Organics Residuals Market Perspective**: ACP has developed a "Organics Inflow-Outflow markets diagram" (page following and attached to this letter), that outlines the three interrelated and interdependent local "organics residual" markets that comprise the renewable carbon value cycle at the local level. These are:
    a. Feedstocks – biosolids, food scraps, woody material, green material, agricultural residue, energy crops, manure
    b. Technologies – for the production of the various products, using one or more physical, thermo-chemical and biological (aerobic &/or anaerobic) technologies in the organics residual, re-manufacturing
    c. Products – including, but not limited to one or more compost & other soil amendments, animal feed, bio-based materials, chemicals, and fuel or electricity.

2. **Organics Residuals Market Data, Algorithms, Information** – Intelligence must be gathered, analyzed and put into usable information that is at once *local community-based, actionable by local public and private enterprises to make ongoing facility land use, technology and market investment decisions*. These should be geared to the three markets outlined in the comprehensive perspective, i.e.:
    a. Resource Management: Feedstock policy, ordinances, and tipping fees (addressing the "negative scrap value" of organics residuals)
    b. Capacity Building: Make sound technology investment choices, related to siting & permitting, community relations, distributed (community-based) energy & soils production capacity development, and meet or surpass local environmental justice concerns and considerations

c. Bioproduct Market Development: Need timely, ongoing market development intelligence for bio-based products:
   i. *Soil Amendments:* C&G material, **compost**, biofertilizer, biochar
   ii. *Animal Feed:* from food scraps, ag residuals, manure, other
   iii. *Materials & Chemicals:* bio-based chemicals, bio-based materials
   iv. *Fuel & Electricity:* bio-diesel, RNG, refinery wax, combined heat & power,

3. **Practical/logistical coordination** between organics (bioresources), healthy soils, water and energy that will make the emerging integrated organics value cycle practical and actionable. (possibly requiring a comprehensive new collaborative organization, similar to the California Bioresources Alliance). Trade-offs between various feedstock and bioproduct market needs and development investment will need to be made at each of the following levels:
   a. Public & Private – government collaborating with industry
   b. State & Local – in ongoing dialogue
   c. Economic, Environmental & Social – triple bottom line, integrated with lifecycle, full cost accounting, and fully communicated to the investment and banking industries

   For example, should renewable carbon bioresource tonnages be given preference to storing carbon in soils (both local and statewide), or should they go into producing biofuels and electricity, i.e. returned quickly to the atmosphere, but providing value to mobile or stationary (building) energy use to lower its GHG footprint? Both local and state decision makers will benefit from having intelligent guidance as they proceed with the trade-offs in these decisions at least the above levels of organization and coordination.

4. **Specific Projects/Initiatives to achieve integrated social, environmental and financial results**:
   a. Organics Residual Management Information System – build and implement a system that is:
      i. Comprehensive: must be inclusive for all organic residual feedstocks, available transformation technologies, and all bio-based products, at the local jurisdictional level, i.e. a comprehensive portfolio investment approach.
      ii. State & Local Agency Integrated: All the state agencies and local jurisdictions that are expected to implement the GGRF should have input and access to this database, at the state and local level.
      iii. Public and private integration: Information needs to be derived from and available to, in aggregate form, both public and private entities who generate and manage these feedstocks, technologies and products on a daily basis, e.g. sanitation departments and refuse recycling companies, compost producers, investors, banks, regulatory agencies, etc.
      iv. Forest Byproducts: Forest products is a large bioresource sector, that are not currently well integrated as part of the solid waste and/or agricultural residual organics residual streams. These must be specifically brought into the comprehensive market planning, as these resources will greatly affect (positively or negatively), the overall results of GHG reduction, both short-lived (e.g. carbon black from forest fires) and long term (e.g. market impacts on bio-products markets).
      v. Perpetual: This comprehensive intelligence system is necessary to be set up and managed ongoing. It is most certainly not a one-off project. It must be

formed and run as a non-profit, public/private enterprise, so as to best integrate public and private information and interests, i.e. many bioresources are public resources (e.g. national and state forest resources, urban forests, grasslands and parks) but also many are privately owned (e.g. landscapes, ag crops, private working lands, etc.).

b. Public & Private Investment Guidelines – create resources (guidelines, as real time as possible, electronic information reports, etc.) that use the above information to help local leaders (Town Councils, Boards of Supervisors, and their Waste Management, Water, Energy and Transportation staffs) as well as private company leaders, engineers and investors (who actually implement feedstock generation, transportation, processing and bioproduct sales), to make sound, sustainable decisions. This is not unlike the existing stock markets and commodity exchanges, whose information is observed and acted upon on a daily basis (in that case, minute by minute) by millions of private, public and institutional investors. To make intelligence investments with not only these GGR Funds, but also the multiple 100's of millions of dollars of private investment that is envisioned to be co-invested in this Plan, and in California's 75% recycling goal, and other initiatives, must be part and parcel of this Plan. This will require ongoing market and investment intelligence, so that the investment dollars are well placed. The more transparent and comprehensive information readily available, the greater the likelihood that the investments will be fruitful and not themselves be wasted public taxpayer, or private investor dollars.

Again, thank you very much for the opportunity to provide this important input of the compost producer industry experience and perspective on the GGRF Second Investment Plan. We remain ready and willing to work with the CARB on an ongoing basis to enhance both the California organic recycling industry, while building local sustainable economies.

Sincerely,

Dan Noble, ACP Exec. Dir.
Jeff Ziegenbein, ACP President

CC:
Members, California Air Resources Board
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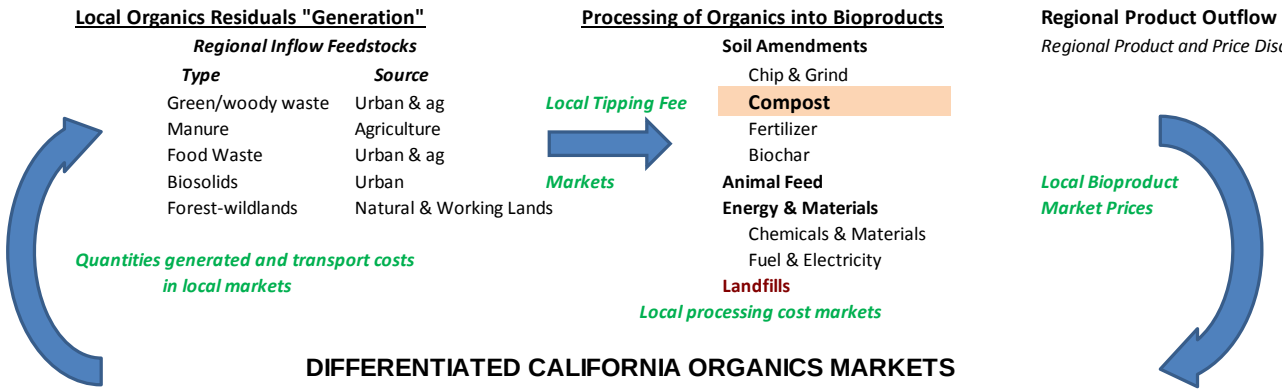
REGIONAL INFLOW-OUTFLOW ORGANICS MARKET DIAGRAM

Last Update: 11/10/2015



DIFFERENTIATED CALIFORNIA ORGANICS MARKETS

ENERGY MARKET	URBAN MARKET (Local SW Jurisdictions)		AGRICULTURE MARKET (Typically By Crop Type)	FOREST-WILDLANDS
Market Segmentation	**Government** (State, Regional, Local)	**Private** (Industrial, Commercial & Residential)		
Power Production	**Transportation**	**Transportation**	**Row Crops (organic)**	**Restoration**
Transportation Fuels	**Landscape**	**Landscape**	**Tree & Bush Crops**	**Erosion Control**
	Erosion Control & Stormwater	**Erosion Control & Stormwater**	**Horticultural Crops (e.g. turf grass)**	**Stormwater Control & Capture**
	Sustainable Development	**Sustainable Development**	**Rangelands**	
	Remediation and Restoration	**Remediation and Restoration**	**Forage Crops**	

Horizontal/Niche Service Markets (vs. vertical customer markets)

Examples:

Transportation
Landscape
Erosion Control
Sustainable Development
Remediation and Restoration

Discussion Draft