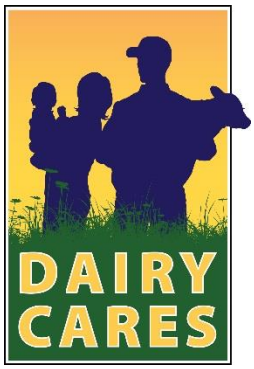


Submitted online

November 13, 2015

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

Re: Dairy Cares' comments on October 27, 2015 "Draft Cap-and-Trade Auction Proceeds, Second Investment Plan, fiscal years 2016-17 through 2018-19"

Dear Chair Nichols:

On behalf of Dairy Cares, thank you for the opportunity to submit comments on the above-referenced draft Second Investment Plan (Draft Plan).

Dairy Cares (www.dairycares.com) is a coalition of California's dairy producer and processor organizations, including the state's largest producer trade associations (*Western United Dairymen, California Dairy Campaign, Milk Producers Council, California Farm Bureau Federation* and *California Cattlemen's Association*) 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.*), and others. Formed in 2001, Dairy Cares is dedicated to promoting the long-term environmental and economic sustainability of California dairies.

Dairy Cares appreciates the importance of the Draft Plan, along with associated incentives and grants, as essential components of the California Climate Strategy. On September 1, 2015, we submitted detailed comments on an earlier version of the Draft Plan; those comments remain relevant and rather than repeating them here, we incorporate them by reference.

With regard to the latest version, we appreciate and support the inclusion in the Draft Plan (p. 16) of a section explicitly referring to the implementation of 2014's Senate Bill 605 (Lara). SB 605 directed the Air Resources Board (ARB) to formulate a strategy specifically for reduction of a subset of GHG known as short-lived climate pollutants (SLCPs), including methane. Inclusion

of the discussion of this mandate emphasizes the importance of prioritizing investment in methane capture technologies, such as dairy manure biogas digesters[1], as well as practices that avoid methane generation. The Draft Plan on page 44 notes that a **"significantly larger investment"** is needed to support an infrastructure to reduce methane by better utilizing organic materials including dairy manure, and specifically suggests (p. 45) investment to **"support dairy digesters."**

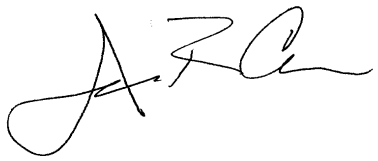
We appreciate these important acknowledgements, especially given the extremely ambitious goals ARB is considering for methane reductions from dairies, including:

- 20 percent reduction in methane from manure management by 2020,
- 50 percent reduction in same by 2025, and
- 75 percent reduction by 2030.

However, it is the opinion of Dairy Cares that the Draft Plan is not specific enough about the scale of investment needed to effectively progress toward the goals set by ARB. For example, ARB acknowledged in its September 30 "Draft Short-lived Climate Pollutant Strategy" a recommendation from a California Department of Food and Agriculture working group that **$500 million in incentive funding** is needed to build enough dairy digesters to realize a significant reduction in methane from dairy manure management.

We urge ARB to include in the Second Investment Plan more specific discussion of the level of funding needed to reach the SLCP goals CARB has targeted, including an acknowledgement of the CDFA recommendation. To ensure that policy goals are realistic, it is important to link them to the level of funding that will be needed to achieve them. Dairy Cares stands ready to assist your staff further in preparing more refined estimates of the financing needed to achieve the goals. Once again, we thank you for the opportunity to make these comments.

Sincerely,



Program Coordinator

C: Ashley Conrad-Saydah, Cal EPA

[1] Throughout this letter, the term "dairy digesters" is refers to anaerobic digesters where the primary or only feedstock is manure generated by dairy cows and other dairy animals. In these systems, manure is stored in a tank (including above-ground tanks made of concrete or steel or covered manure lagoons) and the manure decomposes in an oxygen-starved environment, releasing methane, carbon dioxide and trace gases. After cleaning and conditioning, methane can be used as a fuel to power engines for transportation or generating electricity, or otherwise combusted, similar to natural gas.

Erik White, California Air Resources Board
Shelby Livingston, California Air Resources Board
Ryan McCarthy, California Air Resource Board
Mike Tollstrup, California Air Resources Board
Patrick Nevis, Governor's Office of Permit Assistance
Jenny Lester Moffitt, California Department of Food and Agriculture
Carla Sanchez, California Department of Food and Agriculture
Allison Joe, California Strategic Growth Council
Brian Annis, California State Transportation Agency
Claire Jahns, California Natural Resources Agency
Jason Wimbley, California Department of Community Services and Development
Howard Levenson, CalRecycle
Charles "Chuck" Ahlem, Chairman, Dairy Cares
Michael Boccadoro, Executive Director, Dairy Cares
Anja Raudabaugh, CEO, Western United Dairymen
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Lynne McBride, Executive Director, California Dairy Campaign