

July 13, 2010

Ms. Brienne Aguila
Air Pollution Specialist
California Air Resources Board
Submitted online at <http://www.arb.ca.gov/cc/capandtrade/comments.htm>

RE: California Cap-and-Trade Program – Offsets

Dear Ms. Aguila:

The California Wastewater Climate Change Group's (CWCCG) mission is to address climate change policies, initiatives, and challenges through a unified voice advocating for California wastewater community perspectives. Together, CWCCG treats over 90% of the municipal wastewater in California. We very much appreciate the effort you and other CARB staff have made to provide an open process for stakeholder engagement on cap and trade. In particular, we appreciate the time you have taken to talk with us regarding the opportunities for the municipal wastewater sector to develop high quality, in-state offsets that will help California meet its AB 32 goals.

This letter reaffirms and elaborates on the discussions we had in May and our email correspondence of May 17, as well as provides some additional comments in response to the June 22 workshop.

Development of implementable wastewater offset protocols should continue to be a priority for CARB.

As we discussed in May, there are several project types that we believe have potential for providing GHG reductions and should therefore be considered for offset protocol development. The following are those that we think hold the most promise:

- Carbon sequestration resulting from land application of biosolids
- Avoidance of fossil fuel use in the production of inorganic nitrogen fertilizer when replaced with biosolids as a soil amendment
- Replacement of fossil fuel with digester gas for heating and energy generation. While the use of digester gas for cogeneration is practiced at many wastewater plants, there are still many others that flare their digester gas. With the added financial incentive of an offset, these facilities could use cogen systems instead of flares, displacing natural gas.
- Connection of septic system communities to centralized sewer systems. Data show that septic systems release considerably more methane than centralized wastewater collection and treatment.

We very much appreciate the fact that your workshop slides identified the wastewater sector as a potential area for protocol development in 2011. As stated previously, we would appreciate the opportunity to work with you on development of protocols. We believe that it is critically important for CARB to develop protocols that are workable and can be implemented by municipal wastewater agencies. We are happy to provide additional documentation associated with each of these opportunities and to work with you to develop data where it does not currently exist.

Expand Use of Offsets

In the PDR, CARB proposes to limit offsets for surrender obligations to 4% of the obligation. We encourage CARB to consider higher percentages. CARB should be incentivizing everyone in California to contribute to greenhouse gas reduction goals. By limiting the use of offsets, the financial incentive for entities outside the cap to reduce greenhouse gases is significantly reduced. We encourage CARB to broaden the use of offsets, thereby providing incentives for wastewater agencies, local governments and smaller businesses to implement innovative greenhouse gas reduction projects. Further, we recommend that CARB keep the requirements for buyers and sellers in offset transactions as streamlined and simple as possible to encourage active market participation by these public agencies and small businesses.

CARB should allow a pathway for direct measurement of offset project GHG reductions.

We understand CARB's desire to keep protocols simple, with the broadest applicability and a high level of certainty of emissions reductions. To this end, we expect that protocols developed by CARB will lay out specific formulas for calculating emission reductions associated with an offset project. In order to provide the required certainty, however, these formulas are likely to produce very conservative estimates of emission reductions. We therefore encourage CARB to include a pathway, either in each protocol or more broadly in the provisions for use of offsets, that allows project proponents to directly measure emission reductions as an alternative to using formula-predicted emission reductions. This direct measurement, which could be conducted periodically to ensure the permanence of the reductions, would provide more accurate accounting and would allow offset project proponents to realize the full benefit of their projects. Proponents who do not want to invest in direct measurement could still use the formulas, but the option to test should be available.

CARB should consider linking to protocols developed by the Chicago Climate Exchange.

At the workshop, staff indicated that CARB is considering linking to external programs that have established their own protocols for carbon offsets. The programs discussed included Climate Action Reserve (CAR), Western Climate Initiative (WCI) partners, Governor's Climate Task Force (GCF), and Clean Development Mechanism (CDM). We support CARB's efforts to link to external programs, and we suggest that CARB also consider linking to protocols developed by the Chicago Climate Exchange (CCX). The CCX is contemplating the development of protocols for biosolids management as outlined above under offset opportunities.

CWCCG supports a cap and trade program that does not lend itself to market manipulation.

We are aware that there are examples around the world of cap and trade regulatory programs where certain entities such as banks or carbon brokers have been able to command sufficient control on the market to strongly influence prices. We encourage CARB to structure California's cap and trade program to prevent such market manipulation.

Thank you again for the opportunity to provide written comments on the concepts presented at the June 22 workshop. Please contact me if you have any questions at (510) 206-3820 or jkepke@ch2m.com. As discussed previously, we look forward to the opportunity to meet with you to further discuss the offset opportunities that the wastewater community can provide under cap and trade.

Sincerely,



Jackie Kepke, P.E.
Program Manager
California Wastewater Climate Change Group