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October 2, 2008

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

Re: Comments to Draft Scoping Plan

Dear Ms. Nichols:

On behalf of the Community Alliance for Responsible Environmental Stewardship ("CARES"), we submit the following comments to the California Air Resources Board's draft Scoping Plan. CARES is an environmental coalition of California's dairy producer and processor associations, including the state's largest producer trade associations (Western United Dairymen, California Dairy Campaign and Milk Producers Council) and the largest milk processing companies and cooperatives (including California Dairies, Inc., Dairy Farmers of America-California and Land O' Lakes). Formed in 2001, CARES is dedicated to promoting a balance of economic and environmental sustainability for California dairies.

CARES agrees that the voluntary implementation of manure digester systems can be an important element in California's effort to reduce greenhouse gases pursuant to AB 32's mandate. We agree with the Scoping Plan's assessment that "economic incentives such as marketable emission reduction credits, favorable utility contracts, or renewable energy incentives will be needed" in order to make manure digesters an economically viable opportunity for California's dairy farms. With such economic incentives, we believe that California's dairy farms can become an important source of GHG emission reductions in years to come.

For the vast majority of California's family owned and operated dairy farms, the costs of building and operating a manure digester systems are prohibitive.<sup>1</sup> Manure digesters are still very much a developing technology. High routine and non-routine maintenance and operational costs are the norm. Unlike other businesses, dairies are unable to pass along increased capital and operating costs as the price of milk is set by the California Department of Food and Agriculture under its Agriculture Milk Stabilization Plan. The thin operating margins that most dairy farmers operate under are simply incapable of absorbing the additional costs necessary for the installation and operation of methane digesters.

Some income to partially offset costs may be available through sales of excess power to utilities. And for those dairy farmers that are located near utility pipelines and other necessary

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<sup>1</sup> We can provide additional technical information regarding the cost and feasibility of digesters upon request.

infrastructure, the transmission of biogas directly from the farm to a utility facility may be a more viable alternative.

In any event, more study is necessary to develop a sustainable business model from which dairy farmers can develop the infrastructure and efficiencies necessary to realize meaningful income from the capture of methane. Economic assistance to conduct such studies will help spur the development and implementation of viable models.

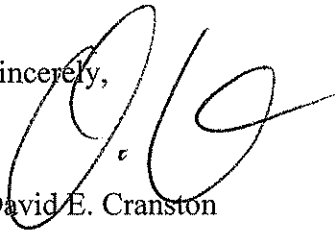
Even if reliable income from sale of methane or energy can be accomplished, for the vast majority of dairy farmers, manure digesters will remain economically unfeasible without the availability of income from the sale of marketable emission reduction credits. Once the market for emission credit matures, dairy farmers should be in a better position to attract the investment necessary for the implementation of methane digesters on a larger scale. It is our hope that California dairies will play an important role in a market-based cap and trade system by providing a source of marketable credits for those industries who would otherwise be unable to economically meet their greenhouse gas (GHG) emission "caps."

As the Air Resources Board recognizes, the anticipated income from marketable emission reduction credits that can make methane digesters a reality on a large scale will not be possible if methane digesters become mandated. Hence, voluntary - and not mandatory - implementation of methane digesters holds the best potential for meaningful reductions in GHGs from California dairy farms.

Indeed, the continued growth of the dairy industry in California alone will help achieve GHG reductions. Modern California dairies are well known for their efficiency and high productivity. More milk from less cows means fewer GHG emissions per gallon of milk. The shift in the production of milk to California dairies essentially means a shift in production that emits less GHGs. The California dairy industry takes great pride in its commitment to sustainability. With such commitment, we can expect that such operations will only become more efficient and sustainable.

On behalf of CARES, we look forward to working with the ARB in reaching AB 32's goals for reducing GHGs.

Sincerely,



David E. Cranston

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cc: William Van Dam, Chair, CARES