



the new green

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Mary Nichols, Chair
California Environmental Protection Agency
Air Resources Board
1001 I Street
Sacramento, CA 95812

Dear Chairwoman Nichols:

Recycled Energy Development, LLC (RED) appreciates the opportunity to submit comments regarding the Climate Change Draft Scoping Plan (DSP). RED's mission is to profitably reduce greenhouse-gas emissions through the development and ownership of energy recycling facilities. RED applauds the California Air Resources Board (CARB) efforts in the DSP and for recognizing the important role of combined heat and power (CHP) in addressing climate change. These comments address two principal issues:

- First, the DSPs target of an additional 4,000 MW of installed CHP capacity by 2020 is commendable.¹ As the Plan takes shape we encourage CARB to include recycled energy, sometimes referred to as a CHP bottoming cycle, within the definition of CHP.
- Second, the DSP notes that there are institutional barriers to installing CHP systems and we encourage CARB to remove these impediments.

More detail is provided on both of these points below.

1. Recognize and Establish the Role of Recycled Energy within the Recommended Greenhouse Gas Reduction Measures CHP Target

Recycled energy is a clean source of energy generation – capturing a waste product to generate heat and power – that does not require the burning of additional fossil fuels or the emission of any additional pollution or GHG. As such, the recommended GHG reduction measures target for CHP should expressly include recycled energy as a qualifying technology.

¹ Draft Scoping Plan at 11, 23, Appendices at C-73

Capturing and recycling of waste energy is among the lowest cost sources of significant GHG reduction available to the state of California. California manufacturers who deploy capital to convert their presently wasted energy into heat and/or power immediately lower their energy costs and greenhouse gas intensity, making them more economically competitive while they act to lower GHG emissions. This economic win/win subverts most conventional wisdom on climate policy, which is predicated on the false presumption that GHG reduction must be economically painful. Indeed, companies that RED has worked with to recycle their waste energy have found themselves increasing productivity and adding jobs as a direct result of their GHG-reducing actions.

However, such outcomes require capital investment, and many recycled energy projects do not meet corporate internal rate of return thresholds. As such, it is critical that any GHG policy provide equal incentive to all GHG-reducing investments, per ton of GHG abatement, so that markets can then allocate capital to the most cost-effective solutions. At present, the Climate Change Plan does not provide any direct way for recycled energy projects to participate, and we therefore recommend that GHG reduction measures for CHP in the Climate Change Plan expressly include recycled energy systems.

2. CARB Must Remove the Institutional Barriers to Installing CHP and Recycled Energy Systems that Lower Emissions

The DSP notes “efforts to increase the deployment of CHP may require a multi-pronged approach that includes addressing significant market barriers, incentives where appropriate, and potential mandates.”² CARB also notes that there are “institutional barriers to installing combined heat and power systems.”³ These barriers include but are not limited to the utility tariff structure and prohibitions on private wires. To meet the GHG reduction goals set out in the DSP the Proposed Plan must address and remove the barriers to installing CHP and recycled energy systems.

RED respectfully requests the CARB incorporate these comments in adopting the Proposed Scoping Plan. We would be happy to work with your staff to provide more detail and background for any of the information outlined herein.

Sincerely,

s/ Melissa M. Mullarkey
Research Analyst

² *Id.* Appendices at C-74

³ *Id.* at 21-22