



February 15, 2016

The Honorable Edmund G. Brown  
California State Capitol  
Sacramento, CA 95814

**Re: Cap and Trade Revenues in Proposed 2016-17 Budget**

Dear Governor Brown:

I am writing on behalf of the Bioenergy Association of California to thank you for your continued leadership on energy and climate issues and to offer these comments on Cap & Trade revenues in the proposed budget for 2016-17. The Bioenergy Association of California (BAC) represents more than 60 public agencies, private companies, local governments, environmental groups and others working to convert organic waste to energy. Cap and trade funding for bioenergy will help to meet all five pillars of the state's climate change strategy: reducing petroleum, increasing the RPS, producing low carbon heating fuels, reducing Short-Lived Climate Pollutants and sequestering carbon.

BAC strongly supports the proposed allocation of Cap & Trade revenues to CalRecycle, the California Department of Food and Agriculture, the Air Resources Board, and CalFire. To maximize the climate and other benefits from Cap & Trade revenues, however, we urge the following clarifications and additions:

- Increase funding for biofuels and for ultra-low NOx natural gas vehicles that run on biogas;
- Allocate funding specifically for bioenergy production at wastewater treatment facilities;
- Ensure that CalRecycle's funding for organics diversion maximizes greenhouse gas reductions by focusing on projects that produce both bioenergy and compost; and
- Allocate funding specifically for forest biomass to energy facilities.

**1. BAC Strongly Supports the Proposed Funding for Bioenergy**

BAC strongly supports the proposed funding for bioenergy, which will help to produce the lowest carbon transportation fuels, flexible generation renewable power, organic soil amendments and cleaner heating fuels. Investments in bioenergy will also reduce black carbon and other impacts of wildfire, air pollution, methane from organic waste, landfilling, and impacts on disadvantaged communities. In particular, BAC supports the proposed allocations:

- \$100 million to CalRecycle for waste diversion;
- \$55 million to CDFA for dairy digesters and healthy soils;
- \$40 million to ARB for biofuels production;
- \$25 million to the CEC for biofuels production;
- \$15 million to the CEC for low carbon fuel R&D (from General Fund);
- Funding for the Sustainable Freight Initiative; and
- Funding to CalFire for forest fuel removal and biomass energy facilities.

## **2. Funding Needed for Biogas from the Wastewater Sector.**

California's wastewater treatment facilities can play an important and cost-effective role in converting diverted organic waste to energy. Because most wastewater facilities already have anaerobic digestion onsite, they can in many cases convert food and other organic waste to biogas at lower cost than facilities that must build the anaerobic digester as well as other equipment needed to produce bioenergy. The state's wastewater treatment facilities have significant capacity to convert food waste to energy with significantly less investment than would otherwise be required.

While BAC strongly supports the proposed allocation to CalRecycle, it is not clear that wastewater treatment facilities will be eligible for the organic waste diversion funding. Even if wastewater treatment plants are eligible for CalRecycle funding, then \$100 million is inadequate to fund bioenergy projects in both the solid waste and wastewater sectors. BAC urges the State, therefore, to allocate funding specifically to biogas generation in the wastewater sector, to be administered by either CalRecycle or the Water Board. Having a specific allocation in the budget will help the state's more than 500 wastewater treatment facilities to increase their capacity to convert organic waste to biogas and to put that biogas to its highest and best use.

Recommendation: Allocate \$50 million for new biogas production at wastewater treatment facilities.

## **3. Need to Increase Funding for Biofuels.**

Carbon negative biomethane used in ultra-low NOx trucks presents the single most effective and immediate way to reduce climate emissions and air pollution. There is simply no better and more certain investment that the State can make to

immediately and significantly reduce greenhouse gas, Short-Lived Climate Pollutant and NOx emissions. Given the importance of low carbon biofuels, we urge the State to increase the proposed funding for biofuels and to prioritize projects that produce the lowest carbon fuels.

Recommendation: Increase funding for biofuels to \$100 million.

#### **4. Allocate Sustainable Freight Funding to Ultra Low NOx Trucks.**

Biomethane provides an enormous opportunity to reduce emissions from the freight sector, but only if natural gas trucks are available to run on biomethane. With the new ultra-low NOx engines from Cummins-Westport, that emit only .01 gram NOx, Sustainable Freight funding should help to accelerate the deployment of these super low-emission vehicles. Allocating funding to ultra-low NOx trucks that run on biomethane would significantly reduce GHG and NOx emissions from the freight sector.

Recommendation: Allocate \$100 million of the Sustainable Freight funding to ultra-low NOx trucks that run on biomethane.

#### **5. Allocate Funding to Forest Biomass to Energy Facilities.**

Wildfire causes two-thirds of California's black carbon emissions and 10 percent of California's total climate emissions. While keeping existing facilities open to address the tree mortality crisis, new distributed generation forest biomass facilities are far more environmentally sustainable in the long run as they will be located close to high wildfire hazard zones and sized to promote healthy, sustainable forests. Additional funding is critical to accelerate the pace of new forest biomass facilities in high wildfire hazard zones.

The Governor's proposed budget states that CalFire funding will support biomass energy generation projects, but without knowing how much funding will be allocated to projects or whether that funding will be allocated to new projects or to subsidize existing facilities, it is difficult for forest biomass developers to begin the planning and permitting necessary to be ready to apply for funding.

Recommendation: Allocate \$50 million to new forest biomass generation facilities that take forest biomass from high wildfire hazard zones.

#### **6. Ensure that Organics Diversion Funds Maximize Greenhouse Gas Reductions.**

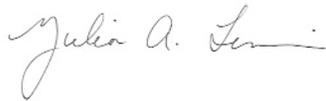
BAC strongly supports the proposed allocation to CalRecycle for waste diversion, but urges the State to ensure that the organics diversion funds support projects that maximize greenhouse gas reductions, as well as other benefits. To do so,

funding should support projects that produce both bioenergy and organic soil amendments (compost), which would provide the greatest greenhouse gas and pollution reductions. According to the State of Oregon's Department of Environment, converting diverted organic waste to electricity reduces greenhouse gas emissions more than three times as much as composting alone.<sup>1</sup> When that waste is converted to biomethane for use as a transportation fuel, the difference in emissions reductions is even greater. In most cases, the highest and best use of diverted organic waste is to produce energy first and then to produce compost with the remainder – either digestate, biosolids or biochar. To maximize greenhouse gas reductions and other benefits, organics diversion funding should focus on projects that produce both energy and compost.

Recommendation: Require CalRecycle to maximize greenhouse gas reductions from diverted organic waste by focusing on projects that produce both bioenergy and compost.

We look forward to working with the Administration to secure these funds and to maximize the greenhouse gas reductions and other benefits of investments in bioenergy.

Sincerely,



Julia A. Levin  
Executive Director

cc: The Honorable Karen Ross, Secretary, California Department of Food and Agriculture  
The Honorable Richard Corey, Director, California Air Resources Board  
The Honorable Scott Smithline, Director, CalRecycle  
The Honorable Fran Spivy-Weber, State Water Board  
The Honorable Ken Pimlott, Director, CalFire

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<sup>1</sup> "Evaluation of Climate, Energy, and Soils Impacts of Selected Food Discards Management Systems," Prepared for the State of Oregon Department of Environmental Quality. October, 2014. Table ES-2, page 4. Available at: <http://www.oregon.gov/deq/LQ/Documents/SWdocs/FoodReport.pdf>.