

CALIFORNIA COMPOST COALITION



December 2017 | Volume 4, Issue 12

Sustainable Organics Recycling

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Carbon Certainty Going Global

California is exporting carbon certainty, showing global leadership on climate change at the same time our mixed recyclable commodities are being banned in China. As President Trump backs out of the Paris Climate Agreement, the Cap-and-Trade program is being linked up with other sub-national jurisdictions. California adopted the 2017 Scoping Plan Update with a myriad of top down programs to reduce greenhouse gases by 40% in 2030, as the statewide recycling rate trends lower to just 44% backtracking on the statewide goal of 75% by 2020. Our forests and fields are burning, with the biomass plants losing 1.4 million tons of wood chips, with composting now being bantered as the solution by environmental justice groups. The industry offers up carbon negative fuel with near-zero NOx emission engines, while the state favors batteries in zero-emission vehicles that are not zero in carbon intensity. We pass laws to streamline permitting and offer significant financial incentives, at the same time regulatory fatigue grows considerably with other new laws.

America continues to be bi-polar with bi-coastal solutions without bi-partisanship. With weak commodity markets and regulatory disconnect, the recycling and composting industries have been blinking for the last few years. But with the grants being awarded from Cap-and-Trade dollars invoking carbon certainty to 2030, combined with SB 1383 regulations being promulgated, and the newly adopted 2017 Scoping Plan, there is an organic shift underway. With transportation, retailing, and energy being disrupted by new technologies, the industry remains cautious on big capital outlays and remains focused on right-sized proven technologies that are more beneficial to disadvantaged communities.

California is on track to meet the 2020 greenhouse gas reduction goals, the 33% renewable energy portfolio standard in 2020, and the low carbon fuel standard by decreasing carbon intensity by 10% in 2020. The economy grew to the 6th largest in the world with a significant decrease in carbon intensity; there was environmental protection with a resilient economy. The Governor played these Carbonology trump cards on the global stage and resisted new Federal policies in 2017. California is trying to do it on its own as a proud nation-state to make a dent in global warming while the global markets fail, and regulations stymie the development that is supposed to deliver the solutions to reduce greenhouse gases. We need to PASS GO on regulatory relief and collect \$200 million in grants next year.

2017 Top 10 Stories

10 Amazon Effect/ Packaging

The waste fiber stream piles have faded from the grey of newsprint to the brown of Amazon boxes. With newspapers downsizing and storefront retailing being displaced with online sales, packaging is the next frontier of extended producer responsibility, meeting market specifications and domestic remanufacturing. The Green Fence is getting higher with China lowering acceptable contamination rates to 1%, where plastic packaging components are part of the problem. CalRecycle's Packaging Reform policy model development process has been underway for years and is now gaining traction with these market disruptions. CalRecycle is choosing to evaluate which mandatory policy models and instruments might be best suited to increase collection and recovery of specific packaging types to get to a statewide 75% recycling rate, where the compostability of certain fiber and bio-plastic products will need to withstand the test of greenwashing.

9 Cannabis Regulations

The cannabis market is valued at approximately \$7 billion next year and will become the number two agricultural commodity in California followed by grapes estimated at over \$6 billion per year. Composters have been serving the grape market for decades with high-end organic compost. Agromin and Phoenix Energy are tapping into this budding market by leading the charge in developing potting soils for the cannabis industry. The new regulations call for waste management plans that include composting, increasing renewable energy use, and determining the carbon intensity of the grow to encourage sustainable practices. Outdoor grows will need to follow waste discharge requirements. The compost industry welcomes

this new cash crop in order to fund compliance with all of the water and air regulations our industry is facing.

8 Healthy Soils Initiative

The Healthy Soils Initiative includes a grant this year for demonstration projects and incentive projects to expend a large proportion of the \$7.5 million budgeted. The Healthy Soils Initiative identifies two opportunities for grant funding: 1) the Incentives Program, where farm and ranch landowners are able to secure up to \$50,000 in funding for the implementation of any of a multitude of eligible agricultural practices that would improve soil organic matter content; and 2) a demonstration project providing the landowner with a possible partnership, either academic or other non-profit entities, to secure up to \$250,000 in funding for implementing, studying, and sharing knowledge for these same eligible practices, which provides an opportunity for development and outreach of real-world information. In conjunction with this action plan, the Environmental Farming Act Science Advisory Panel conducted the development of **"Compost Application Rates for California Croplands and Rangelands for a CDFA Healthy Soils Incentives Program."**

7 CA DownCycles to 44%

The amount of disposal increased by two million tons last year, and by six million tons since 2012 when AB 341 (Chesbro, 2011) was passed to mandate commercial collection and set the statewide recycling goal of 75% by 2020. The AB 341 recycling rate has tipped under 50% in 2012 to 44% in 2016. Recycling Centers are being shuttered as the Bottle Bill was up for reform once again. Wood chips are piling up, losing 400,000 tons of bioenergy market share. California

will not achieve the 75% recycling goal. The AB 341 Report should have updated the amount needed for tip fee increases to actually get to the 75% goal by 2020, or should have been updated to delay or lower the goal.

6 Regulatory Fatigue/ AB 617

As regulatory fatigue continues to slow down facility development, AB 617 (Garcia, 2017) was passed in conjunction with AB 398 (Garcia, 2017) which give disadvantaged communities more leverage on air quality issues, further driving up the time and costs. These air permits pin down point sources, but fail to recognize the better management practices being offered. Expensive Water Board regulation of pads and ponds are being tallied. The combined forces of these pressures have driven composters to a crux where the new tons are not showing up at new prices to afford the luxury of compliance in this new era. Implementation of AB 1045 (Irwin, 2015) is necessary to have Cal-EPA agencies coordinate on water, air, and waste issues.

5 Woodagedden

As forest fires rage throughout the state, bioenergy facilities are taking a hit from environmentalists and PG&E. SB 498 (Lara, 2014) annual reporting has shown the amount of wood chips used at biomass plants decreased from 5.02 million tons in 2015 to 3.71 million tons in 2016, with the urban sector drying up from 1.76 million tons in 2015 to just 1.35 million tons in 2016, creating a loss of over 400,000 tons in just one year. With SB 1383 being phased in, 2.6 million tons of new wood waste will need to be diverted by 2020 and 3.9 million tons of new wood waste could be on the market in 2025. However, SB 1383 workshops have left wood waste market development out of the equation, as PG&E is trying to end the BioMAT program.

2017 Top 10 Stories

4

National Sword

The higher the Green Fence goes up, with the planned ban of unsorted waste paper and mix plastics exports to China, the lower the statewide recycling rate drops down. The Chinese government is aiming to protect its homeland manufacturers and progressing to be mindful of environmental impacts. The original program, known as 'Operation Green Fence', was formally implemented in February 2013, enforcing a 2011 law, and was billed as an aggressive inspection effort aimed at curtailing the amount of contaminated recyclables. Since 2011, the amount of recyclable commodity exports has decreased from 22 million tons to just 15 million tons in 2016. There was no 'Bale Out' in 2017 as the statewide recycling rate continues to decrease, with the industry falling on the green sword and begging for rate increases.

3

Cap-and-Trade

AB 398 (Garcia, 2017) provides carbon certainty to 2030 with greater considerations to disadvantaged communities. CalRecycle awarded \$24 million in compost and anaerobic digestion grants from its A-list, and with AB 109 (Ting, 2017), another \$40 million was budgeted this year. CalRecycle has \$31 million of eligible projects in waiting on its B-list ready to go. A disadvantaged community and food rescue component is required, where \$570,000 in food rescue funding was granted for the A-list projects, and another \$940,000 is in waiting for the B-list projects, totaling \$1.5 million. Another \$5 million in grants will be announced for the Food Waste Prevention and Food Rescue grant solicitation. CalRecycle grants have shown to be the most cost-effective GHG strategy in the State, with 100% of the grants benefiting disadvantaged communities.

2

2017 Scoping Plan Update

The Revised 2017 Climate Change Scoping Plan (Revised Plan) describes the actions the State will take to achieve the SB 32 (Pavley, 2016) climate goal of reducing greenhouse gases (GHGs) to at least 40% below 1990 levels by 2030. It outlines an approach that cuts across economic sectors to combine GHG reductions with reductions of smog-causing pollutants, while also safeguarding public health and economic goals. The Revised Plan also reflects direction in AB 398. A Final Plan, with all supporting materials, was adopted at the December 14, 2017 CARB Hearing. When confronted by the Environmental Justice Advisory Committee about stopping incineration of wood waste in old-line biomass plants, Chair Mary Nichols echoed that things should be composted first. Considering that the compost market cannot absorb all of the urban biomass, it was nice to hear agreement that composting is being placed on top of the environmental justice priorities. The Revised Plan finally recognizes compost use on irrigated cropland as a strategy to meet SB 1383 (Lara, 2016). With just 11% of irrigated crop lands using compost, doubling the compost use to 22%, will create demand for another 7.5 million tons of compost, generated from 12 million tons of organic waste.

The Revised Plan included input from a range of State agencies and is the result of a two-year development process including extensive public and stakeholder outreach designed to ensure that California's climate and air quality efforts continue to improve public health and drive development of a more sustainable economy. This Revised Plan reflects the direction from the legislature on the Cap-and-Trade Program, as described in AB 398, the need to extend the key existing emissions reductions programs, and acknowledges the parallel actions required under AB 617 to strengthen monitoring and reduce air pollution at the community level.

Regs Watch

2017 SCOPING PLAN UPDATE

The draft 2017 Climate Change Scoping Plan Update was released on Inauguration Day, January 20, 2017. It sent a message to the President that California will double down on setting the greenhouse gas reduction target to 2030, which was placed in statute with the passage of SB 32 (Pavley, 2016). CARB had planned to consider adoption and certification of the CEQA document in April 2017 and then in June 2017, but it was held up to 2030 with the Cap-and-Trade reauthorization deal and the passage of AB 398 (Garcia). CARB held further EJAC hearings and adopted the 2017 Scoping Plan Update on December 14, 2017. CCC doubled down on our previously submitted comments by advocating for doubling the compost use on agricultural lands and meeting SB 1383 mandates requiring 75% diversion by 2025.

SB 1383 - REGULATIONS

CalRecycle held its sixth workshop series on October 30, 2017 and November 2, 2017 with the release of the draft regulations. CalRecycle has been meeting with groups in November and December where CCC had their annual meeting on December 7, 2017 in Sacramento. The revised draft regulations will be released in early February 2018, and initiate the formal rulemaking later in 2018. CalRecycle plans to adopt the regulations in late 2018 or early 2019. Although the regulations will not take effect until 2022, adopting them in 2019 allows regulated entities approximately three years to plan and implement necessary budgetary, contractual, and other programmatic changes. Jurisdictions, haulers, and generators should consider taking actions to implement programs to be in compliance with the regulations on January 1, 2022.

AB 901 - REGULATIONS

CalRecycle presented the latest version of draft regulations on September 19, 2017. A fourth draft was approved by the Director of CalRecycle, Scott Smithline, on October 23, 2017. The draft regulations are currently with CalEPA for review before they are submitted to the Office of Administrative Law to commence the first 45-day comment period of the formal process. The formal process will begin soon and will be effective on January 1, 2019.

I SB 1383 Regulations

The California Compost Coalition

is a registered Lobbying Coalition with the Fair Political Practices Commission (FPPC), created in 2002 by a group of compost operators in response to demands for increased recycling of organic materials & production of clean compost, bioenergy, renewable natural gas, and biochar.

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SB 1383 (Lara, 2016) regulations were shopped around in 2017 with a series of workshops throughout the state and captivated local government and the industry. The regulations are expected to be adopted in 2018 and become effective in 2022, sending regulatory signals to local government, generators, and the recycling industry to start planning to divert over 15 million new tons by 2025 and adding over 100 new composting and anaerobic digestion facilities. SB 1383 requires CARB to approve and begin implementing the comprehensive strategy to reduce emissions of short-lived climate pollutants to achieve a reduction in methane by 40% below 2013 levels by 2030. With the methane emission reduction goals in place, the following objectives were also adopted to reduce the landfill disposal of organics: 1) a 50% reduction in the level of the statewide disposal of organic waste from the 2014 level by 2020; 2) a 75% reduction in the level of the statewide disposal of organic waste from the 2014 level by 2025. It also is establishing an additional target that not less than 20% of currently disposed edible food is recovered for human consumption by 2025. SB 1383 requires CalRecycle, in consultation with CARB, to adopt regulations that achieve the specified targets for reducing organic waste in landfills. SB 1383 would authorize local jurisdictions to charge and collect fees to recover the local jurisdiction's costs incurred in complying with the regulations.

SB 1383 is methane-centric, leapfrogging over the AB 939 (Sher, 1989) recycling mandates while parlaying the use of the infrastructure, and with the same shared responsibility tenets. AB 939 inspired billions of dollars of investment to meet the 50% waste diversion mandates in partnership with local government to develop the collection and processing operations. These recycling facilities are being transformed by adding organics processing capacity to process the AB 1826 (Chesbro, 2014) commercially collected organics and will need to be expanded again to

meet the SB 1383 mandates to 2025.

SB 1383 transcends traditional recycling, where we are now making over 15 million tons of AB 939 commodity bales each year that are shipped overseas; but with organics, we need to develop manufacturing capacity and markets at home. SB 1383 is a much bigger lift than AB 939 because we must develop a closed-loop system within our region. The SB 1383 investment would add another couple billion dollars at a time when local governments are facing higher priority issues. Designating compost and anaerobic digestion facilities as essential public utility services would assist in siting and funding SB 1383 infrastructure. Government agencies which procure compost as part of their own Climate Action Plan would sequester carbon in their own backyard and create local market demand. We have lost sight of the statewide goal of achieving the 75% recycling rate by 2020. We hope not to lose our 2020 vision waiting for 2022 when SB 1383 regulations become effective. Adopting AB 1826 regulations for organics collection, following the AB 341 regulatory framework, in tandem with SB 1383 in 2018, would send a signal that the next threshold of 4 cubic yards of MSW per week starting January 1, 2019, is real. The concept of 'MRF First!' has been bantered for decades with AB 939, and now with SB 1383, CalRecycle coined the concept of 'Compost First!', which will be needed to prepare compost and anaerobic digestion feedstocks for 100 facilities by 2020 and another 100 by 2025.

CalRecycle plans to adopt the regulations in late 2018 or early 2019. Although the regulations will not take effect until 2022, adopting them in 2019 allows regulated entities approximately three years to plan and implement necessary budgetary, contractual, and other programmatic changes. Jurisdictions, haulers, and generators should consider taking actions to implement programs to be in compliance with the regulations on January 1, 2022.