

CALIFORNIA COMPOST COALITION

AB 32 to SB 32

FIVE PILLARS

NO
DIESEL

100%
RPS

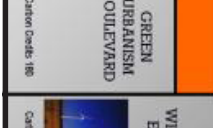
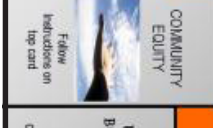
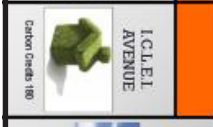
NET
ZERO

MITIGATE
METHANE

HEALTHY
SOILS

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Sustainable Organics Recycling



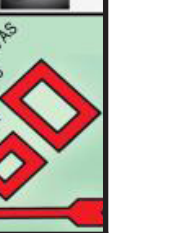
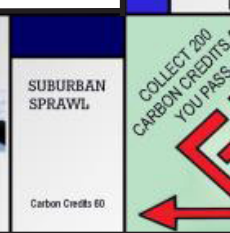
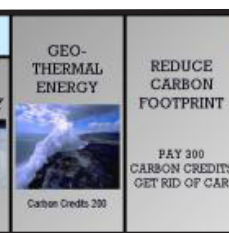
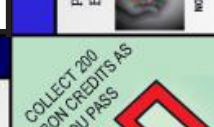
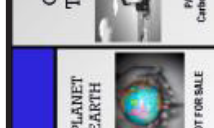
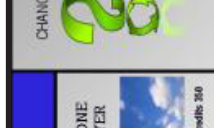
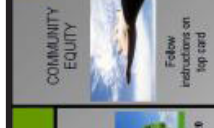
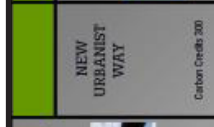
Bonding Over Climate Resilience

Governor Newsom is promoting a 5-Year Climate Budget of \$12.5 billion, which includes a \$4.75 billion Climate Resilience Bond measure to be placed on the November 2020 ballot, and a \$1 billion Climate Catalyst Loan Fund. A billion here, a billion there, and pretty soon you are playing with real Carbonopoly money. Governor Newsom is doubling down on former Governor Brown's 'Pillars' regarding getting off petroleum products and being diesel pollution free by 2030, 100% renewable energy by 2045, and no natural gas in new Net-Zero building construction. When it comes to the other pillars, Newsom is not bonding over mitigating methane and building healthy soils in the same way.

With billions of carbon money on the table, CARB updates the AB 32 Scoping Plan every five years to set policy and priorities, and each fiscal year CARB prepares a Funding Plan for the Low Carbon Transportation investment. The billion dollar Cap-and-Trade Program requires a 3-Year Investment Plan coupled with an Annual Report to the Legislature that highlights cost-effectiveness. The CEC adopts an Integrated Energy Policy Report every two years, an update every other year, and prepares an Annual Investment Plan update for their Clean Transportation Program. With the adoption of SB 1383 regulations and the mandate to construct over \$3 billion in infrastructure, CalRecycle should prepare a 5-Year Investment Plan such as SB 667 (Hueso) proposed in his 2-year bill, and there should be a Scoping Plan for organic wastes such as AB 1567 (Aguilar-Curry) is proposing this year, building on AB 144 from last year.

Nowhere in the \$4.75 billion Climate Resilience Bond is there mention of any SB 1383 programs. This bond money is more about adapting to climate change than mitigating climate change. With \$12.5 billion over 5 years proposed for the State's Climate Budget, only \$15 million towards organic waste diversion is mentioned. There are several bills in play running with a \$5 billion climate bond concept, where a large coalition of stakeholders is asking for \$500 million for organic waste diversion. CalRecycle needs to pass GO and collect \$100 million per year for five years. CalRecycle, what's in your wallet?

It's a Board game with CARB and the CEC preparing their Investment Plans for Low Carbon Transportation, where electrification is receiving priority funding leaving the CNG fleet transition at the curb. With over 60% of the statewide refuse fleet still on diesel, the CNG platform was gaining momentum with technology improvement with each iteration. Coupled with the Near-Zero NOx engine and in-state RNG use produced from SB 1383 organic wastes, you would think both CARB and CEC would embrace this elegant community-scale circular economy model that weaves all Five Pillars together. Instead, unproven electrification is being favored where fleet owners are considering keeping their diesel fleet and use renewable diesel with more NOx emissions. CARB and CEC are letting futuristic climate change policies get in the way of greenhouse gas and NOx reduction's today. The electric refuse fleet will not pass GO, will not be able to collect organic wastes, and will be stuck at the Electric Company Board space with another power outage.



Cap-and-Trade

The Governor featured Community Air Protection in his proposed 2020-21 Budget of \$965 million in his [Cap-and-Trade Expenditure Plan](#) that no longer funds the controversial high-speed rail project. The plan would allocate revenues to the following focused investments:

- \$400 Million to the Air Resources Board for Low Carbon Transportation
- \$15 Million to CalRecycle for Waste Diversion
- \$18 Million for Healthy Soils
- \$20 Million for Dairy Methane Reduction
- \$208 Million for Healthy Forests
- \$0 Million Again for Low Carbon Fuel Production at the CEC

The Governor's proposed [Cap-and-Trade Expenditure Plan](#) for CalRecycle's funding decreased from \$25 million last year to just \$15 million this year, where the industry has been demanding \$100 million per year to contribute to the billions of dollars needed to fund SB 1383 infrastructure projects. So far, CalRecycle has received \$137 million of the \$9.3 billion that has been appropriated. According to the [2019 Annual Report on the Cap-and-Trade Proceeds](#), funding for compost and anaerobic digestion facilities continues to be one of the most cost-effective GHG programs, while the grants awarded by CalRecycle continue to show that disadvantaged communities (DAC) are receiving benefits or co-benefits 84% of the time. For the second year in a row, CEC will not pursue low carbon fuel production from this fund. As CARB allocates their Investment Plan for 2019-2020, staff will not fund HVIP vouchers for the CNG Fleet beyond the current wait list. CARB would no longer fund fleets using near-zero NOx engines, even with RNG fuel, despite the CARB Board decision requiring in-state RNG.

With a disappointing execution from CARB to fund the RNG/near-zero NOx fleet, there have been attempts in the legislature last year to allocate fair share funding with SB 44 (Skinner), but it turned into a study bill to pursue technically-feasible and cost-effective programs where RNG/near-zero NOx engines win every day compared to any other available power source.

Climate Resilience

The Climate Budget takes a disciplined approach to government investment in meeting the State's priority climate goals of reducing climate risk while achieving carbon neutrality. The Climate Budget will invest \$12.5 billion over the next five years, which includes the following:

- \$4.75 Billion for Climate Resilience Bond
- \$4.82 Billion for Cap-and-Trade Expenditure plan
- \$1.00 Billion for Climate Catalyst Fund
- \$1.42 Billion for Existing Bonds and Special fund
- \$0.48 Billion for the General Fund

The Administration is proposing a \$4.75 billion Climate Resilience Bond for the November 2020 ballot to support investments over the next five years to reduce specific climate risks across California through long-term investment in natural and built infrastructure, especially in the State's most climate-vulnerable communities. The bond is structured based on climate risks, and approximately 80% of the funds are allocated to address immediate, near-term risks (floods, drought, and wildfires), while the remaining funds lay the groundwork for addressing long-term climate risk (sea level rise and extreme heat). Now is the time to carve in SB 1383 and RNG Fleet funding as the 5-year budget allocations are being set. CARB has their [2020 Program Priorities](#), and we need to voice ours.

However, there is no mention of any of the SB 1383 programs for organic waste diversion in this proposed Bond money. There is \$3 billion for drinking water, flood and droughts, \$750 million for wildfires, \$500 million to mitigate sea level rise, \$325 million for extreme heat, and \$250 for community resilience. This bond money is about adapting to climate change and not mitigating climate change, which is what the Cap-and-Trade plan should be doing. With \$12.5 billion over 5 years proposed for the State climate budget, only \$15 million towards organic waste diversion is mentioned. There are several bills in play, running with the \$5 billion climate bond concept, where a large coalition of stakeholders is asking for \$500 million for organic waste diversion.

Plastic Initiative

Recology is continuing its push for a November ballot initiative in California that takes aim at the plastics industry, recently kicking in \$600,000 of a planned \$1 million contribution. Another \$1 million is expected from The Nature Conservancy, plus \$500,000 from the Plant Based Products Council, toward the \$4.5 million goal to get on the ballot.

The proposal would give CalRecycle authority to require that producers of single-use plastic packaging and foodware make their products "reusable, recyclable or compostable" by 2030. In addition, expanded polystyrene food containers would be banned statewide and retailer take-back programs would be established for relevant items. Finally, a sliding scale "Plastic Pollution Reduction Fee" of \$0.01 or less would be applied to select products starting in 2022 as a way to pay for a range of new projects.

This proposal has been discussed by Recology for more than a year, with CEO Michael Sangiacomo making the stance official in a December 2018 San Francisco Chronicle op-ed. The idea gained momentum after California lawmakers were unable to pass SB 54 and AB 1080 before their session ended last September. Those bills were among the most contentious in a busy session for recycling legislation, attracting a range of reactions and heavy lobbying activity. In its final form, the legislation's requirement for recyclability by 2030 would have covered a broader range of packaging types than just plastic. It would have also set a 75% waste reduction target. That issue was a key talking point in final negotiations, but also remains challenging because a supermajority vote would be required to pass funding policy.

While many in the recycling industry supported a successful market development bill, SB 54 split the opinions of major players such as Waste Management and Republic Services. Recology's Eric Potashner, vice president and senior director of strategic affairs, said he's received a warmer reception to this ballot concept so far among the state's largest industry operators ([WasteDive – 1/21/20](#)).

WHEELS OF MISFORTUNE

CalRecycle for \$15 Million



The 2020-21 Budget only allocates \$15 million, where there was \$25 million last year. At least \$100 million is needed each year for at least 5 years, thus there is a \$500 million ask in the proposed \$5 billion Bond Measure, but organic waste diversion is not even mentioned yet.



SB 1383 Regulations were adopted by CalRecycle on January 21, 2020, where the local government procurement requirement identifies the RNG option from organic waste recovered. With a full portfolio, up to 75 million diesel gallon equivalents of in-state RNG could be purchased to fuel up to 6,000 vehicles.



CEC for \$0 Million



CEC is one and done on Cap-and-Trade grants, which was solicited on August 28, 2019 for \$12.5 million as part of the Low Carbon Fuel Program Production 2018-2019 budget, where biomethane competed against diesel and gasoline. Zero dollars in 2019-2020 and 2020-2021 for RNG production and use.



CEC gets \$100 million each year from DMV fees and funded 27 biomethane projects for \$76.8 million and 3,152 CNG vehicles for \$86.8 million over the last 10 years (with a \$192 million ask). CEC has zeroed out fleet funding in favor of electrification and will no longer carve out biomethane projects as it now favors hydrogen.



CARB for \$400 Million



CARB got \$550 million in 2019-20 and another \$400 million proposed in 2020-21 for Low Carbon Transportation from Cap-and-Trade. CARB bundles this money with the Air Quality Improvement Program (AQIP), which is \$25-30 million per year for criteria pollutants (NOx, PM2.5) and then skews funding for NOx reductions.



After the HVIP wait list is expanded, CARB has near zero plans for more HVIP funding for Near-Zero vehicles even with in-state RNG. The 2020-21 Heavy Duty Work Group is Jan 30 where some heavy-lifting will be needed. CARB is hell-bent on the electrification future where the refuse industry may be served this new lemon law.



CAP-AND-TRADE - CEC - CARB - INVESTMENT PLANS

[The Cap-and-Trade Third Investment Plan for Fiscal Years 2019-20 through 2021-22](#) identifies how existing programs can further advance the priorities identified by the Legislature and public, and should have built on the successful programs showcased in the 2018 and [2019 California Climate Investment Annual Report: Cap-and-Trade Auction Proceeds](#). However, Waste Diversion slipped to the 5th priority even after being identified as being one of the most cost-effective programs with 84% of the funds benefiting disadvantaged communities. We have been asking for and will continue to comment that CalRecycle needs \$100 million per year for Compost and Anaerobic Digestion infrastructure, CARB needs \$100 million per year in Clean Transportation to fund RNG/Near-Zero NOx fleet transition, and California Department of Food and Agriculture needs \$50 million for Healthy Soils to move

compost into the agricultural sector to pay for the haul. Unfortunately, the electrification lobby has shocked the refuse fleet industry by eliminating critical HVIP funding, and the biomethane production incentive grants at the CEC have been phased out again this year. CARB has abandoned biofuel production funding program in the past where there was \$25 million available at one time. These Investment Plan does not provide enough incentives for SB 1383 programs.

[The Fiscal Year 2019-20 Funding Plan](#) for Clean Transportation Incentives was adopted by CARB on October 24, 2019 with a hard fought addendum: *The proposed Funding Plan called for eliminating funding eligibility for the 8.9-liter and 11.9-liter Cummins-Westport natural gas low NOx engines in HVIP. In response to stakeholder comments, CARB directed that HVIP retain eligibility for the 12L natural gas low NOx*

engine for the FY 2019-20 budget cycle with the requirement that funding recipients commit to fueling HVIP-funded vehicles with in-state RNG. However, with \$12.3 million for 255 low NOx 9L vouchers and \$22.7 million for 499 low NOx 12L vouchers on the wait list, what money was left was sucked up in 2019-2020, with few applications being accepted this year. CARB staff has been combative over the last year as it is clear they favor the electrification of the refuse fleet.

With the Governor's 2020-2021 budget proposing \$400 million for Clean Transportation, and no rest for the wicked, meetings on Developing the Fiscal Year 2020-21 Funding Plan for Clean Transportation Incentives are now underway. The first Work Group Meeting for the [Heavy-Duty Three-Year Investment Strategy](#) is on January 30, 2020 with additional public workshops on March 12 and June 23, 2020.

Investment Plans

SB 1383 5-Year Plan

The Cap-and-Trade Program requires a 3-Year Investment Plan coupled with an Annual Report to the Legislature. CARB updates the AB 32 Scoping Plan every five years, and each fiscal year CARB prepares a Funding Plan for the Low Carbon Transportation investment. The California Energy Commission adopts an Integrated Energy Policy Report every two years and an update every other year, and prepares an [Annual Investment Plan update for the Clean Transportation Program](#). With the adoption of SB 1383, CalRecycle needs to prepare a 5-Year Investment Plan, and there needs to be a Scoping Plan for organic wastes.

There were three significant legislative attempts in 2019 to facilitate the required \$2 to \$3 billion SB 1383 investment plan, but all failed. AB 144 (Aguiar-Curry) attempted to have the Strategic Growth Council prepare a Scoping Plan for the urban, agricultural, and forest sectors to manage organic waste in a comprehensive manner, but the price tag of \$400,000 was too much. SB 667 (Hueso) was more focused on having CalRecycle develop a five-year strategy to develop financial incentives for in-state recycling infrastructure, but stalled due to the potential of on-going assumed costs of \$1.2 to \$1.8 million. The bill analysis claims that the IWMA has a structural imbalance, with expenditures exceeding revenues by several million dollars annually, which is questionable since the increase of over 10 million disposal tons since 2012 has added revenue of over \$14 million this year. AB 1583 (Eggman) had been on track to increase the revenues with a generator fee or a landfill tipping fee to pay for some of SB 1383, but shied away in favor of extending the sale taxes inclusion.

AB 1567 (Aguiar-Curry and Mathis) is bringing AB 144 and AB 257 back from last year for the preparation of the Organic Waste Scoping Plan. And it's time to move SB 667 (Hueso), where CalRecycle prepares an Investment Plan for SB 1383, funded by the 10 million tons of new waste disposal.

Legislation

[SB 44 \(Skinner\)](#)

TOPIC: This bill would require the State Board, no later than January 1, 2021, and at least every 5 years thereafter, to update the State Board's 2016 mobile source strategy to include a comprehensive strategy for the deployment of medium-duty and heavy-duty vehicles in the State for the purpose of bringing the State into compliance with federal ambient air quality standards and reducing motor vehicle greenhouse gas emissions from the medium-duty and heavy-duty vehicle sector.

STATUS: Signed by Gov. Sep. 20, 2019

[SB 667 \(Hueso\)](#)

TOPIC: Greenhouse Gases: Requires CalRecycle by January 1, 2020, to develop a five-year strategy to meet the State's organic waste and diversion goals by supporting organic waste infrastructure development, and by June 1, 2021, to coordinate with the Treasurer's Office on developing financial incentives for in-state recycling infrastructure. It also, requires the Treasurer to coordinate with Nevada, Oregon, and Washington on infrastructure financing to support regional recycling needs and infrastructure.

STATUS: Two-year Bill

[AB 257 \(Mathis\)](#)

TOPIC: Solid waste: woody biomass collection and conversion. This bill would create a 5-year woody biomass rural county collection and free disposal pilot program, to be administered by CalRecycle consisting of awarding funding to participating counties.

STATUS: Dead, Now AB 1567

[AB 144 \(Aguiar-Curry\)](#)

TOPIC: Organic Waste: Requires the Strategic Growth Council to develop a scoping plan for the State to meet its organic waste management mandates, goals, and targets. It would also require the scoping plan to include among other things, recommendations on policy and funding support for closing the loop on carbon-neutral or carbon-negative organic waste management practices.

STATUS: Dead, Now AB 1567

Regs Watch

[SB 1383 REGULATIONS GOING TO OAL](#)

CalRecycle submitted the Final SB 1383 Rulemaking Package to Office of Administrative Law (OAL) Jan. 21, 2020, and held an agenda item during their monthly meeting. CalRecycle needed to adopt the SB 1383 regulations and transmit the regulatory package to OAL within one year from posting the Notice of Proposed Action in the California Regulatory Notice Registry and they did. OAL now has 30 working days to conduct a review of the rulemaking record to ensure the CalRecycle satisfied the requirements, where there will be an update at the next CalRecycle monthly meeting on Feb. 18, 2020. After OAL approval, the rulemaking action is filed the Secretary of State. Before February 28, 2020, SB 1383 rules will be officially in place and ready to be effective on January 1, 2022. A series of tools such as sample agreements and model ordinances will follow this spring.

CalRecycle is required to develop technical documents for the formal rulemaking package which included the Text of the Proposed Regulations, the Notice of Proposed Action, the Initial Statement of Reasons, and the Economic and Fiscal Impact Statement.

[Regulatory Text](#): The October 2, 2019 text was the third formal version and was released for a final 15-day comment period to October 18, 2019. CalRecycle made some minor non-substantive formatting tweaks to the Regulatory Text, and was submitted with the Final Statement of Reasons to OAL.

[Updated Technical Documents and Appendix to The SB 1383 Short-Lived Climate Pollutants \(SLCP\) Regulations](#) were updated assessing the costs associated with the revisions to the regulation, revising the methodology used to estimate the costs of regulatory provisions in response to stakeholder comments.

[Final EIR](#): CalRecycle posted the Final Program Environmental Impact Report on December 18, 2019, waiting certification with the adoption of the regulations. Public comments were due on Sept 13, 2019 after the August 20, 2019 public meeting.

After 3 years of Workshops and a huge lift by CalRecycle staff, SB 1383 regulations will officially on the books by Feb. 28, 2020, and will change the industry forever, bigger than AB 939.