

Growing California cap-and-trade fund attracts surge of spending proposals

By Jeremy B. White

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With California's growing cap-and-trade program expected to yield a budgetary bonanza, lawmakers and interest groups have ample ideas for how to spend the money. Floating proposals ahead of a pivotal period for budget negotiations, they say they want to fund port improvements, pay for heavy-duty trucks and ferries, nurture urban rivers, sponge up carbon in soil and provide discounted bus passes.

They are vying for a surge in new revenue that will be available this budget cycle and could continue pouring in for years to come.

"It's the next big fight," said Assemblyman Henry Perea, D-Fresno. "It's going to continue to be a fight as more revenue comes in."

Seeking to counteract climate change, lawmakers in 2006 authorized California to establish its first-in-the-nation carbon auction program, compelling businesses to purchase allowances for what they pump into the atmosphere.

By this time last year, the system already had generated hundreds of millions of dollars that were parceled out via the budget, including a controversial annual outlay to support high-speed rail. But this year is different: Oil and gas producers have been obligated to buy permits for the first time, likely generating a multibillion-dollar influx.

"With transportation fuels coming under the cap, there will be more money for years to come. That changes the dynamic," said Senate President Pro Tem Kevin de León, D-Los Angeles. "Because there's going to be a lot more money, there's going to be that many more projects competing for dollars."

Gov. Jerry Brown's January proposal underestimated the amount available in the coming fiscal year by as much as \$3.9 billion and most likely by around \$1.3 billion, according to the Legislative Analyst's Office. The updated numbers will come this week in Brown's May revision.

Per a formula established in last year's budget agreement, 60 percent of the auction dollars will flow to areas such as high-speed rail, urban transit and housing. The remaining 40 percent is up for debate in the Legislature.

Lawmakers have introduced a raft of bills trying to direct the money to specific areas or to enshrine broader principles for how it can be spent, such as mandating that more of it be reserved for disadvantaged communities or large-scale transit projects. The bills serve a dual purpose: Even if they do not become law, they lay out members' priorities ahead of budget talks.

Assemblyman Rudy Salas, D-Bakersfield, last year joined moderate Democrats in opposing the program's expansion. Now he has a bill requiring 40 percent of the proceeds to flow to disadvantaged communities, up from the current 25 percent mandate – a needed corrective, he said, to aid communities like his that are afflicted by poor air quality.

"Everybody has a cause," Salas said.

Illustrating that point is a bill from Long Beach's Assembly member, freshman Democrat Patrick O'Donnell, saying cap-and-trade dollars could pay for energy-efficiency programs at public ports such as those found in his district.

"I am the voice of the ports in the state Assembly," O'Donnell said. "Our ports are under the gun to address the environmental issues associated with moving those goods in and out, and they need support to meet those goals."

Interest groups hoping to win funding also have compiled wish lists and pressed their cases with elected officials.

A solar industry group is exploring ways to expand the technology in low-income communities. The California Natural Gas Vehicle Coalition wants to help deploy heavy-duty trucks that burn natural gas. The manufacturing industry's association is fighting the law in court, but they argue that the money – if it is ruled legal – should help heavy industry make its operations more energy-efficient.

“The Legislature and the administration are hearing a lot of different plans for how to spend the money,” said Coalition for Clean Air policy director Bill Magavern. “There’s really a broad spectrum of interests involved in this debate, and of course it’s because there’s money available.”

The competing proposals raise a larger question about what type of project qualifies. Money spent out of the cap-and-trade fund must verifiably work to curtail the greenhouse gases that fuel climate change.

“It is a fee, and we want to spend it appropriately,” said Sen. Fran Pavley, D-Agoura Hills, who carried the bill establishing the program.

Critics assailed Brown last year for directing revenue to the high-speed rail project, arguing that carbon reductions wouldn’t materialize for years. Legislative leaders are scrutinizing ideas this year and filtering out proposals that don’t pass muster.

At de León’s prodding, a Senate bill seeking to clean up urban watersheds was amended to seek funding from a different source. Another proposal floated by a range of environmental and community activist groups argued for subsidized bus passes.

“We know that the biggest source of greenhouse gas emissions in California is from transportation, so there a number of ways we are addressing that, and one way of getting cars off the road is improving the choices in public transit,” said Magavern, whose organization was among those making the proposal.

In his January budget, Brown proposed using the money over which lawmakers have control on an array of areas, including energy-efficiency upgrades for public buildings, waste diversion and fire prevention (forest fires pour huge amounts of carbon-thick smoke into the air). That largely holds the line on last year’s proposals.

A potential addition would direct dollars to help water resources. As a prolonged drought has prompted extraordinary conservation mandates from Brown, the administration has been studying the ways in which energy and water overlap.

There, too, policymakers have experts working to quantify how much energy is used in transporting and heating water. If they can establish they’re reducing emissions, they can tap into the cap-and-trade money.

“There are a lot of really smart people working on getting this right,” said Pavley, who has a bill directing the state to study the energy footprint of water systems. “I think it opens up an amazing possible win-win for expenditure of auction revenues.”

With a growing pile of money spurring interest, Pavley said, officials must be vigilant about keeping their focus on cutting greenhouse gases. Sacramento suffers from no shortage of ideas for spending money, but not all of them fit that framework.

“No,” Pavley joked, “we can’t (use the auction revenues to) reduce college tuition.”

Waterford adds electric cycles to motor pool

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The city’s goal of improving the trails along the Tuolumne River was the key reason it applied for a grant to purchase a couple of electric motorcycles for Waterford Police Services, Chief Mike Radford said Friday.

The \$40,000 grant the city was awarded by the San Joaquin Valley Air Pollution Control District nearly covered the cost of two Zero motorcycles, purchased for \$44,000, said City Manager Tim Ogden.

The department has the two cycles and is working to get officers certified as quickly as possible to use them on patrol, Radford said.

These are the first motorcycles of any type for the department, the chief said, and will be very useful in places the force’s Crown Victorias and Ford Explorers can’t go.

“We tend to have issues with homeless campers down by the river: drug use, vandalism, certain other things that go on down there that aren’t conducive” to the paths being used recreationally, Radford said.

“We’ve always had a difficult time patrolling there,” he said. “You have to do a foot patrol, and the area you could cover was very small. It wasn’t successful at all.”

Since he became chief in February 2014, Radford said, he has asked the Stanislaus County Sheriff’s Department’s off-road vehicle unit to do a sweep of the river area two or three times a year to let people know they cannot camp there. Officers then return about a week later to cite people still there, and the city cleans up the area.

“But it was costing the city some funds because we had to pay the cost of the county team,” he said. “It was really successful, and we love being able to clean up the river, but we realized it was something we could do ourselves if we looked for the opportunity. We went for the grant and got it.”

One of the main uses for the electric motorcycles will be a two-person team that can ride along the river paths once a day, twice a day, once a week – however often is deemed necessary, Radford said.

Right now, the dirt trails along the Tuolumne aren’t developed in any way, “but people use them all the time,” he said. “The city is looking to make it a safe environment” and develop the trails – perhaps pave them – for walking, running and biking. Periodic patrols with the electric cycles, officers “staying visible,” will go a long way to creating that safer environment.

The cycles will be used in other ways, too. They’re equipped with emergency lights and sirens, and Radford foresees their use in traffic patrols and at special events such as parades and street fairs. “It’s easy to drive them around in cramped locations.”

The Modesto, Ceres and Ripon police departments also have electric motorcycles in their motor pools.

Ripon bought two Zero cycles in May last year, also with grant money from the air district. That department, too, uses the cycles for off-road patrols, along the Stanislaus River.

About a month earlier, the Ceres department rolled out three Zeroes purchased through an air district grant. In announcing the purchase, its chief spoke of the zero-emission vehicles’ contribution to protecting the environment and decreasing officers’ “exposure to the exhaust of traditional motorcycles.”

[Fresno Bee Earth Log, Friday, May 8, 2015:](#)

Drought spinoff: Dead orchards may go up in smoke

By Mark Grossi, staff writer

In drought-wounded Terra Bella, Kent Duysen says he has seen the plumes of smoke recently — farm-waste burning linked to both the devastating dry time and a faltering biomass energy industry.

The San Joaquin Valley’s tainted air might be getting an extra dose of soot and ozone-forming gases this spring as growers wrestle with the woody waste from dead citrus orchards.

Growers don’t want to burn their waste these days, but some feel they have no choice, says Duysen, who owns Sierra Forest Products and 22 acres of citrus in the Tulare County community of Terra Bella. “We’re seeing a lot of trees taken out around here. We pushed ours out. They’ve been on the ground since last fall. We’re in the queue to get them ground up, but it’s not cheap.”

It’s more drought expense and woe in this broad farm belt where thousands of growers for the second straight year have lost river irrigation water for an area six times the footprint of Los Angeles.

Open-field ag burning has been largely outlawed for a dozen years, wiping out more than 80% of the practice. But exceptions are built into air-quality law, based on economics, farm size and protection against insect infestation.

Growers, facing hard financial times, must consider chipping their woody waste and hoping to sell it to the dwindling number of biomass energy producers. The other option is to start a plume of smoke.

Biomass production has been the go-to option for years because the energy producers help farmers reduce costs by giving them cash for their wood waste.

But three of the 10 biomass plants from Stockton to Bakersfield have closed in the last year or so. One of them was Duysen's plant in Terra Bella, though his forest products business continues with one of the few remaining sawmills in the Valley.

Other biomass plants are teetering on the brink of shutting down, says Julee Malinowski Ball, executive director of the California Biomass Energy Alliance.

The reason: Prices from utilities for biomass electricity are not high enough now to make ends meet. Industry leaders say the price has been driven down by the success of the oil industry's hydraulic fracking, which has located large reserves of natural gas.

Malinowski Ball says the industry needs lawmakers this summer to pass Assembly Bill 590, authored by Assembly Member Brian Dahl, R-Redding. It would provide millions of dollars from the state's Greenhouse Gas Reduction Funds to keep biomass plants afloat.

"Biomass is a form of renewable energy, but you can't really compare it ... with other renewable energy like solar and wind," Malinowski Ball says. "The sun and wind are free. We spend millions of dollars on fuel, and we provide a lot of benefits for the environment."

Biomass energy producers add a modest but steady amount of electricity to California's grid. When a plant closed last year in Mendota, the grid lost its 25-megawatt contribution — which would light 25,000 homes. California has natural gas power plants many times larger.

Fresno County's only biomass plant, Rio Bravo Farms in Malaga, is expecting financial trouble soon. Its energy contract will have to be renegotiated in summer 2016, says plant manager Rick Spurlock. The going rates won't support his business, which includes a \$6 million price tag each year for the woody wastes.

He says biomass is more than a renewable source of energy, drastically reducing open-field burning and helping to control dangerous air pollutants. Spurlock says the pollution control in biomass plants make them 98% more efficient and cleaner than open-field burning.

"About 70% of our fuel comes from agriculture in about a 50-mile radius," Spurlock says. "The other 30% is demolition and construction waste from Fresno, Clovis and a few other cities."

The waste from cities also includes tree trimmings and other clippings from landscaping.

"If we close, that waste will have to go into landfills," he says. "It will raise costs of disposal in the cities and create methane greenhouse gas as it decomposes."

A Valley environmental activist, Tom Frantz of Shafter in Kern County, says he doesn't buy the argument. He says the industry wants subsidies to burn more waste from Los Angeles and the Bay Area, which brings more pollution into the Valley by operating diesel trucks.

"Best thing for air quality would be to shut them all down, stop burning waste from LA and the Bay Area, and return clean agricultural waste to the soil," Frantz says.

Pollution from open-field burning has continued to dwindle over the last several years as regulations have tightened, according to state figures. But neighbors downwind of a burn could quickly be caught in a dangerous smoke cloud. Soot can trigger asthma attacks and heart problems, health researchers say.

The burning is limited by a San Joaquin Valley Air Pollution Control program that divides the Valley into 103 separate zones. Burning is allowed in one of the zones only if it would not cause a public nuisance or cause exceeding air standards, officials say.

Exemptions for open-field burning have existed since 2003 when the state law was passed to stop the practice. Some of the burning is aimed at preventing the spread of crop disease. Orchard removals of apple, pear and quince are allowed to be burned due to the risk of spreading fire blight to other orchards during transportation.

Burning is allowed for less than 15 acres of orchard removal per calendar year. The air district says it is not economically feasible to chip such small orchard removals and send them to a biomass plant.

Open-field burning of citrus orchards is considered on a case-by-case basis, says air district executive director Seyed Sadredin. Some biomass plants won't accept some orchard removals that require a lot of work to clean rocky, clay soils off the trees.

Sadredin says the air district is concerned about the biomass industry and supports AB 590.

"With the severe drought impact leaving dead trees and increased fuel loads, biomass is an important outlet to reduce the air quality and other impacts of catastrophic wildfire," he says. "If we fail to find suitable options, there will be great pressure to relax regulations that now prohibit agricultural burning."