Municipal Wastewater Perspective on a California Greenhouse Gas Cap and Trade Program

The California Wastewater Climate Change Group (CWCCG) is a statewide coalition of wastewater treatment agencies. Together, we treat approximately 90% of the municipal wastewater in California. The mission of the CWCCG is to address climate change policies, initiatives, and challenges through a unified voice advocating for California wastewater community perspectives.

The CWCCG believes that the wastewater management sector should not be included as a capped sector under a declining cap and trade program. We would welcome the opportunity to provide offset credits for use by others in capped sectors.

EXCLUSION FROM CAPPED SECTORS

It is prudent to exclude essential public services such as wastewater agencies from the capped sectors under the cap and trade program for the following reasons:

1) **Wastewater is a "must manage" product of society that, for public health and safety reasons, has long been considered an <u>essential public service</u>.** Essential public services should be insulated from marketplace uncertainties and not be forced to compete for allowance credits for non-discretionary, health-protective infrastructure and services. When facility changes consistent with approved regional plans or changes in regulations are needed, the need is within a strict time horizon and should not be delayed by the lack of credits nor excessive costs associated with scarce credits. SCAQMD's Rule 1302 provides a definition of "essential public services" that may be considered for cap and trade rulemaking.[1]

2) **Essential public services such as wastewater agencies have limited ability to curtail their operations (in terms of volume or quality) due to the health and safety services they provide and the strict water quality regulations under which they operate.** Under a declining cap scenario, as proposed, or with growth of population and increasingly stringent water regulations – both of which are out of the agency's control and evolve over time – meeting targets would likely be impossible without the purchase of credits. Wastewater agencies faced with increasing the level of treatment and volume of wastewater processed would therefore be forced to acquire credits to offset their emissions[2] at any cost or face failure in the delivery of services. These

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[1] From SCAQMD Rule 1302, " essential public services" include (1) sewage treatment facilities, which are publicly owned or operated, and consistent with an approved regional growth plan; 2) prisons; 3) police facilities; 4) fire fighting facilities; 5) schools; 6) hospitals; 7) construction and operation of a landfill gas control or processing facility; 8) water delivery operations; and 9) public transit.

[2] In addition, the majority of emissions from wastewater treatment systems are biogenic. Biogenic emissions have been excluded from regulation in all major GHG regulatory programs implemented to date around the world. For example, the USEPA's Proposed Mandatory Reporting Rule states, "The calculation of total emissions for the purposes of determining whether a facility exceeds the threshold should not include biogenic CO_2 emissions (e.g.,

agencies would not only be at a distinct disadvantage in the marketplace and incur added costs, but would be forced to choose between meeting water quality and GHG reduction requirements.

3) **Essential public services have budget cycles, purchasing processes, and related limitations that are incompatible with market-based compliance systems.** Essential public services such as wastewater agencies cannot accommodate volatile price increases for allowance credits. By way of example, in the 2000-2001 timeframe, credit prices in SCAQMD's RECLAIM program jumped from cents per pound to over $60 per pound in a very short period of time - a two order-of-magnitude change. Public wastewater agencies simply cannot adjust to such extreme price swings in such a short timeframe. In addition, government competitive bidding requirements can slow down the trading process as a result of more formalized procedures and the need for transparency, thus putting essential public services at a distinct disadvantage in a market-based system.

If deemed absolutely necessary to regulate the wastewater sector's GHG emissions, we would welcome the opportunity to work with CARB on the development of an effective and appropriate regime through a public process.

INCENTIVIZING GHG REDUCTIONS THROUGH OFFSET OPPORTUNITIES

Reducing GHG emissions is an important goal that essential public services can best support by providing offsets to capped sectors in the cap and trade program.

Innovative opportunities for generation of offsets and use of renewable fuels exist within essential public service sectors such as municipal wastewater. These include projects such as energy recovery from biosolids, soil carbon sequestration and reduction of fossil fuel derived inorganic fertilizer use through land application of biosolids, and combined heat and power fueled by digester gas. The offset credits generated would be additional to any regulatory requirements that may be developed for the wastewater sector.

SUMMARY

The CWCCG believes that the wastewater management sector should not be included as a capped sector under a cap and trade program because it is an essential public service. We believe there are many opportunities to assist in providing overall GHG reductions and would welcome the opportunity to provide offset credits to the capped sectors.

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those resulting from combustion of biofuels)." Moreover, Chapter 6, page 6.6 of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories contains the statement, "Carbon dioxide emissions from wastewater are not considered in the IPCC Guidelines because these are of biogenic origin and should not be included in national total emissions."