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ALEX HORVATH / THE CALIFORNIAN

Rich Tillema of Richmar Farms checks for blockage on screens of his stage-one separator that runs 24 hours a day. Tillema owns and operates a 6,000-cow dairy off South Union Avenue. The manure separator produces 84.7 tons of material that is reused as bedding for the cows and humus for the fields. Water that is separated is reused to irrigate fields on his 34,000-acre farm.

Dairies could benefit from

CLEAN AIR RULES

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Kern dairies could be among the early winners in a proposed "cap and trade" system now under consideration statewide as a way of reducing California's greenhouse gas emissions.

Using different manure-management technologies, more than a few local dairy-men stand to make money by selling clean air credits to companies that produce more pollution than allowed under pending state regulations.

Some dairy farmers may see new revenue even before the credits-trading system takes effect in 2012. People who deal

investors such as hedge funds and companies that want to present an environmentally friendly face.

The dairies' recent focus on offsets comes at an otherwise difficult time for an industry clobbered by high costs and low prices. Any revenue they generate could take some local sting off an ambitious set of air pollution regulations that has caused anxiety among oil producers, fuel refiners and other kinds of businesses that emit greenhouse gases.

In some ways dairies are ideally suited to produce carbon offsets: Some invested years ago in equipment to treat manure, which if left exposed puts out a greenhouse gas — methane — that is 21 times



Dairy waste material collects before being pumped to separator that runs 24 hours a day at Richmar Farms.

Unknowns await

It remains to be seen how

trade system. An early draft of the program unveiled late last

DAIRY: Companies trying to 'bank' credits

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as how the state would distribute pollution allowances to industry. Also, dairies use different technologies to reduce manure-based methane, and not all of these have been shown to meet California's proposed standards.

"The devil's going to be in the details, of course, but (the cap and trade system) could represent an opportunity for us," said Michael Marsh, CEO of Western United Dairymen, a Modesto trade group.

The idea behind cap and trade systems, or emissions trading, is to give companies a financial incentive to reduce the amount of pollution they create. Those that produce less greenhouse gases than allowed by government, for example, could sell credits to companies that emit more than the regulatory limit.

Dairies are not alone as potential beneficiaries under California cap and trade. Forestry is also considered a strong source of carbon credits earned by planting new trees and maintaining existing woodlands.

Growing demand?

People in the dairy offsets industry say demand for their credits will likely increase in coming years as govern-

ments work to establish mandatory cap and trade systems. There already exist multi-state carbon offset trading partnerships, and Congress is considering a nationwide cap and trade system.

Yves Legault, vice president of L2i, a Montreal financial firm that has been working with a group of 28 Central Valley dairies, including five in Kern, said that about 70 percent of the group's combined offsets have been allotted to investors, though no sales have been finalized.

He said some of the investors hope that any credits they buy now will be worth more money once the state's carbon-based cap and trade system becomes a reality.

Local dairy businessman David Albers said he gets calls "all the time" from companies that want to buy offsets before implementation of The Global Warming Solutions Act, the 2006 law better known as AB 32, which is intended to cut greenhouse gases pollution by 15 percent by 2020. Albers is CEO of BioEnergy Solutions, a Bakersfield company linking several Shafter-area dairies with pipelines carrying cow manure-generated methane for sale to Pacific Gas and Electric Co.

"There are certainly companies in California that are trying to bank credits

because of AB 32," he said, "so it's sort of pre-compliance banking knowing that they're going to be regulated on these issues."

Waiting to see

Revenues can't come soon enough for an industry that has suffered from rising feed costs and falling exports. Milk producers have been losing money on every gallon they produce since February 2008, according to data from Western United Dairymen.

So far, Bakersfield-area dairyman Rich Tillema said he has seen no money from his involvement with Legault's group.

"The future looks good, but that doesn't really mean nothing because it's the future," he said.

Even so, Tillema continues to filter his cows' manure as he has for about 10 years now. This process removes and recycles the solids that if left untreated create methane.

He sees a non-monetary benefit.

"Everything about our industry's been (viewed as) bad. We're perceived as bad guys with methane and everything else," he said. "And now it's kind of nice to know that we're doing something that's good for the environment."