



August 30, 2012

California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

RE: Glass Packaging Institute (GPI) Comments - July 30 - Cap-and-Trade Technical Workshop to Discuss Emissions Leakage

On behalf of the Glass Packaging Institute (GPI), the North American trade association for the glass container manufacturers and suppliers to the industry, I am pleased to provide our perspective on leakage and elements of AB 32 that will impact the California glass container manufacturing industry.

The glass container industry directly employs 2,600 men and women in California, with high-paying, benefit-providing union jobs, in the state's five container manufacturing plants.

In addition, there are thousands of California workers in supplier companies to the glass container industry, providing everything from recycled glass utilized in the manufacturing process, to raw materials, decorating services and equipment manufacturers. Customers of the California glass plants purchase billions of containers annually, and are some of the country's best-known and largest food and beverage companies.

The California glass container industry collectively spends millions in capital expenditures, equipment and through individual companies, provides significant resources through an expansive payroll in the state.

As an energy-intensive-trade-exposed industry (EITE), California's glass container manufacturing companies are under constant pressure to reduce energy usage, associated emissions levels and comply with increasingly complex regulatory structures.

The glass container manufacturing industry in California utilizes environmental and energy efficiency manufacturing practices and the glass manufacturing industry in California has consistently adopted energy efficiency methods to mitigate high energy costs in the state.

The California glass container industry has taken early actions that have already significantly reduced CO₂ emissions. A primary method of reducing CO₂ emissions is through the use of recycled glass, which allows manufacturers to



operate furnaces at a lower temperature. Through the state's container deposit refund program, our members' purchase thousands of tons of recycled glass for use in their manufacturing facilities annually.

The five operating glass manufacturing plants in California represent 10% of the total U.S. glass container industry. While this is a substantial portion of the nation's current glass container production, it is important to recognize that only 25 years ago there were 15 glass container manufacturing facilities in the state. This decrease represents a substantial loss of high paying manufacturing jobs, along with hundreds of millions of lost tax dollars to the California economy.

It is critical to note that California glass container manufacturing is an extremely competitive business. Imports from Mexico and China already control 15% of the California glass market and this rate is trending upward.

The above is representative of the "leakage" concept, or the shifting of jobs and associated production/emissions to less regulated jurisdictions. Leakage is a significant and serious threat to the future of the California glass container industry. The net result of leakage is likely to be an increase in both regional and global GHG emissions due to more production from less efficient facilities and more shipping of containers from other countries.

Another serious concern is the protection of confidential business information. Should our industry's CBI be released for any reason, the effects on the California glass container industry would be catastrophic. If CARB cannot provide 'iron-clad' protection of the CBI provided to either the Agency or their contractors, the risk of leakage increases dramatically.

The glass container industry is concerned that monitoring and collecting data to minimize leakage will have little impact. By the time these studies show leakage, it will have already occurred and be too late. The production and jobs associated with the effects of leakage will be gone. How AB 32 is implemented over the coming years remains a concern to the glass container industry.

Among the items that need to be considered when implementing the program:

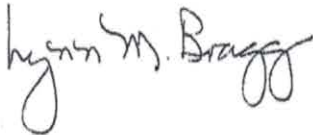
- Credit for "early voluntary action." Under Health & Safety Code section 38562(b)(3), when adopting regulations, the Board is required to, "Ensure that entities that have voluntarily reduced their greenhouse gas emissions prior to the implementation of this section receive appropriate credit for early voluntary reductions."
- Early voluntary action includes, but is not limited to, the high use of recycled glass in the manufacturing process, the lightweighting of glass

containers, and the capital investments made to further reduce energy and emissions levels at our plants.

- Recognition of the superior environmental and energy efficiency performance of California glass container manufacturers.
- The intense national and international competitive pressures in glass manufacturing.
- The real threat of leakage the California glass container industry faces – *as acknowledged by CARB Chair Mary Nichols.*
- Utilization of benchmarking data covering multiple years of glass container facility production.
- Free allocation of 100 percent of available allowances up to the cap as contemplated the Legislative Analyst.

Thank you for the opportunity to provide comment on AB 32 and its very real implications for the California glass container industry.

Regards,

A handwritten signature in black ink that reads "Lynn M. Bragg". The signature is written in a cursive style with a large initial "L" and "B".

Lynn M. Bragg
President