



March 8, 2013

The Glass Packaging Institute (GPI) wishes to offer the following comments in response to the development of an Investment Plan for Cap and Trade Auction proceeds.

As a covered entity under cap and trade, California glass container manufacturers will be required to submit allowances for the emissions at its glass plants. If the emissions exceed the allowances given to the plants, the glass container plants will be required to purchase needed allowances in the carbon marketplace. To the degree the state realizes revenues from the auctions, GPI believes those revenues should be used to further state programs that assist covered entities in their ability to reduce GHG emissions.

There is a particularly strong case that the glass container manufacturing industry merits a fair portion of auction revenues. First, glass container manufacturing has an established record, as an energy intensive – trade exposed industry, of taking early action to reduce GHG emissions through its dramatically increased use of recycled glass in the production stream. Second, the industry has already paid a premium, in the amount of tens of millions of dollars, in the form of processing fees to support California's recycling infrastructure. Paying for emission allowances, in addition to the existing processing fees, is tantamount to paying twice for the same effort to reduce GHG emissions ... so it makes good sense to allocate a fair portion of the auction revenues to the glass container manufacturing industry to further the objective of reducing GHG emissions.

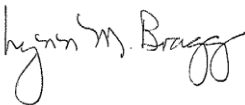
This objective could be accomplished through either direct or indirect initiatives ... or a combination thereof. For example, GPI believes a portion of auction revenues could be used to spur investment in technologies that reduce GHG emissions. For the glass container manufacturing industry, this direct approach may include, but is not limited to the installation of batch and recycled glass pre-heating equipment, along with other energy efficiency projects that result in lower natural gas consumption.

GPI also believes that an indirect approach merits consideration, i.e., auction revenues could be used to enhance the state's recycling program by improving the quality of the state's recycled glass (cullet) supply. There is no question that more and better quality cullet will increase the amount used in California glass container plants, result in higher recycled content in glass containers, and further reduce GHG emissions.

It must also be recognized that utilizing auction revenues in the manners detailed above will not only result in the reduction of GHG emissions but also help to reduce the threat of glass container manufacturing moving out of state (leakage), co-equal goals of AB 32. Finally, from an environmental justice perspective, since the glass container manufacturing plants are primarily located in disadvantaged communities where unemployment is high, appropriate investment of the Cap and Trade Auction proceeds may also provide an opportunity to preserve and possibly enhance existing high-wage manufacturing jobs the glass container industry provides in these areas.

Thank you for this opportunity to comment on this important subject. GPI would, of course, be happy to respond to any questions you may have.

Sincerely,

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

Lynn M. Bragg
President