glass packaging institute

August 8, 2011

Edie Chang
Chief, Planning and Management Branch
Office of Climate Change
Air Resources Board
California Environmental Protection Agency
1001 I Street, P.O. Box 2815
Sacramento, CA 95812

RE: Follow up items to July 15, 2011 meeting on Container Glass Benchmarking

Dear Ms. Chang:

The Glass Packaging Institute (GPI) appreciates the time given by you, Richard Corey, Steve Cliff and Bruce Tuter on July 15. GPI felt the meeting was useful in order to get all of the issues relative to benchmarking and the methodology for the declining cap factor on the table.

For reference, GPI is the North American trade association for the glass container manufacturing industry, along with suppliers to the industry, including much of the glass recycling and processing community. GPI assists its membership in coordinating glass company efforts in regulatory and other matters impacting the industry at the regional, state and national level. In California, GPI represents three glass manufacturers which operate 5 of the 48 national container glass producing facilities. Those five California facilities employ over 2600 skilled workers in high-paying jobs and 1000's of additional jobs in support of these operations, contributing to local economies.

The principal objective of the meeting was to discuss GPI's concern over the use of a benchmark established for California-only facilities. It has, and continues to be, the belief of GPI that for the California Air Resources Board (CARB) to set a California-only benchmark significantly disadvantages facilities operating in the state, as it does not reflect the early greenhouse gas (GHG) reduction implementation activities of those facilities. California facilities are, on average, already the most energy-efficient producers of glass in the nation and have achieved this as a result of investments in technology to; (1) address criteria pollutant control regulations, (2) respond to the high cost of electricity and natural gas, and (3) meet and exceed the state mandated minimum cullet content for the glass we produce.

We are very disappointed CARB staff has chosen to disregard these concerns and will be recommending a California-only benchmark, even though such a benchmark is insufficient to protect the state's container glass facilities from leakage due to national and global competition (see letter dated May 5, 2011 to Edie Chang). GPI notes the following two provisions of the California Global Warming Solutions Act of 2006 that speak directly to CARB's mandate for adopting implementing regulations. First, at California H&S Code § 38562(b)(1), CARB was instructed to adopt regulations that encourage and reward "early action to reduce greenhouse gas emissions." Second, at California H&S Code § 38562(b)(8), CARB was instructed to "minimize leakage."

With CARB pushing forward on a California-only benchmark, it is critically important that you consider the following comments as essential to protecting from leakage, to the degree possible, the remaining container glass facilities in the state, and recognizing the early action reductions achieved by our members:

1. **Cap Adjustment Factor:** It was explained to GPI during the meeting that the adjustment factor for the cement industry was based on the high amount of process emissions produced by the industry from their use of limestone in the production of the product and the relatively small level of control the industry has over these process-related emissions. As pointed out during the meeting, container glass also uses carbonate raw materials as essential ingredients in glass manufacture and therefore our furnaces have a high percent of process emissions ranging from a low of 26% to as high as 28% in California (much higher percentages are seen elsewhere). As a result, our industry has a similar issue with limited control over those emissions. It is worth noting that the lowest levels of process emission were with 95% state cullet utilization. **GPI requests CARB allow container glass to use the same Cap Adjustment Factor as has been provided to the cement manufacturing sector to account for the limited opportunity to control this portion of our emissions. Attachment A shows the amended regulatory language reflecting this critical protection from leakage.**

2. **Bench Mark Years:** CARB has chosen to use a single year to benchmark the operations from container glass (2009). We note that CARB has allowed other sectors to use earlier, and in some cases multi-year average baseline years for determination of the benchmarks as in Appendix B, July 2011 Discussion Draft. It is our contention that 2009 is inappropriate as it fails to provide our members with appropriate credits for their early actions to reduce GHG emissions. Specifically, as shown in attachment B, the industry has been aggressively increasing the amount of cullet used since 2005 (>22%). Cullet use is the single biggest opportunity the industry has to reduce GHG emissions (as identified by the 2009 Life Cycle Analysis prepared by GPI and the European Container Glass Federation) and has taken steps to maximize the levels of use over the past 5 years. Consequently the industry has voluntarily reduced GHG emissions by 21,000 metric tons since 2005 and has utilized 95% of the cullet available for this effort. To provide early action credit as required by AB32, **GPI strongly urges CARB utilize the 2005-2007 data collected from the first round of surveys which shows a .31 metric tons of CO_2/ton of glass pulled emission rate or in lieu of that provide an amendment to the current benchmark value to add an additional .013 metric tons of CO_2/ ton of glass pulled to account for the early action measures.**

3. **<u>Accounting for CO2 Emissions from Abatement Equipment:</u>** It was pointed out during our meeting that in some facilities material is used in air pollution abatement equipment for SOx control which can contribute to CO_2 emissions. These emissions have not been reported by facilities in the past and GPI wanted to know if this needed to be included moving forward and if so how that would affect the benchmark already established as the numbers are not included in the survey data collected to date. Bruce Tuter indicated he would investigate this issue and get back to us. Steve Cliff indicated that if reporting of this emission source would be required the benchmark would be raised to account for the new data. **We ask that CARB clarify this issue for us in writing.** To aid in your analysis, please note that reporting of such emissions is required by 40 CFR 98.33(d).

Members of GPI are gravely concerned about Cap and Trade and the proposed benchmark set by CARB. We believe it will have an enormous impact on the few remaining container glass facilities left in the state. Twenty years ago, there were 14 container glass manufacturing facilities in California, today there are only 5. This shrinkage is the direct result of the high cost of doing business in the state and has resulted in the loss of thousands of jobs and millions dollars in revenue to the state.

If CARB does not adopt the recommendations requested in this letter we are certain the ability to operate profitably in this state will be in jeopardy for most of our members. The consequence of regulations which impose unreasonable cost burden on these operations will be a strong consideration to reduce, curtail or close their operations in California. Such a result is not in the best interest of our members and most assuredly is not in the best interest of the citizens of the state or the environment. In fact, shifting production out of state or worse having the void in demand filled by out of the country sources (i.e. Mexico and China) will profoundly impact the environment by greatly increasing the amount of GHG emissions associated with the use of container glass in the state. These impacts will be counterproductive to the objectives of AB32, which is to reduce GHG impacts on the environment and to preserve the economic condition of the state.

Thank you for your consideration of our comments and please note GPI will make itself available to CARB at any time to discuss this matter.

Sincerely,

Lynn M. Bragg

Lynn M. Bragg

President

CC: Bruce Tuter, California Air Resources Board

Steven Cliff, California Air Resources Board

Richard Corey, California Air Resources Board

Steven Smith, Chairman, GPI Subcommittee on the Environment

Attachment A

Table 9-2: Cap Adjustment Factors for Allowance Allocation Assistance to Industry

Budget Year	*Cap Adjustment Factor (c) for All Other Industries Direct Allocation*	*Cap Adjustment Factor (c) for Cement Manufacturing (NAICS 327310). Container Glass Manufacturing (NAICS 327213)*
2012	1.000	1.000
2013	0.981	0.991
2014	0.963	0.981
2015	0.944	0.972
2016	0.925	0.963
2017	0.907	0.953
2018	0.888	0.944
2019	0.869	0.935
2020	0.851	0.925

NOTE: Authority cited: Sections 38510, 38560, 38562, 38570, 38571, 38580, 39600 and 39601, Health and Safety Code.
Reference: Sections 38530, 38560.5, 38564, 38565, 38570 and 39600, Health and Safety C