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January 29, 2008

Via Facsimile to 916.322.4743

Mr. Chuck Shulock  
California Air Resources Board  
1101 I Street  
Sacramento, CA 95814

Re: *Comments on Proposed January 16<sup>th</sup> Scoping Plan – Design and Analysis of Compliance Mechanism to Reduce Greenhouse Gas Emissions in California*

Dear Mr. Shulock:

As you know, NUMMI is the Toyota/GM venture in Fremont, California that employs about 5000 team members and produces approximately 400,000 vehicles per year. Also, NUMMI has attracted to California 23 affiliated major part supplying companies that employ a total of approximately 4000 additional team members. We appreciate the opportunity to share with you our comments on the proposed adoption of a Scoping Plan for the Design and Analysis of Compliance Mechanism to Reduce Greenhouse Gas Emissions in California as presented at the CARB January 16<sup>th</sup> workshop.

NUMMI sees environmental stewardship as a very high priority. Through its concerted voluntary efforts, NUMMI has been a model of conservation and environmental innovation over the years. Its systematic review of manufacturing processes has resulted in very high levels of source reduction, water conservation, energy conservation, recycling and the like. Along with all of its other environmental concerns, NUMMI is taking a strong interest in finding workable solutions leading to the reduction of greenhouse gases.

NUMMI truly appreciates efforts to find ways to protect the environment while not endangering high paying manufacturing jobs such as those NUMMI and its suppliers offer. We believe that a key to this kind of balance is the "technology equivalency" approach under a regulatory framework. With this approach, a regulated entity chooses to install either a) the technology specified by the State or b) a mix of technologies that, on an equivalent basis, brings the entity into compliance with a particular performance standard. The equivalency approach leads to innovation because it usually inspires at least one new technology to help meet the performance standard.

One example of success through a technology equivalency approach has been developed in our paint operations. In that case, the agency set an emission standard with the hope and expectation that we would meet it by use of waterborne paint. Our industry working with paint and equipment suppliers developed electrostatic robots and thermal oxidizers that worked with improved higher solvent coatings. On an equivalent basis, this mix of technologies produced fewer VOC emissions per vehicle than the existing waterborne performance standard.

Some have argued that a cap and trade system would be the best motivator for innovation. A cap and trade system may, indeed, produce technology innovation. However, such a system is always accompanied by non-value added costs. In particular, those who cannot meet the cap must make expenditures for pollution credits. These expenditures sometimes take the place of investment in technologies and equipment that would constitute a long term benefit to the environment. On the other hand, performance standards frequently motivate innovation and ensure that all those regulated are actually investing in technology improvements. Allowing a mix of technologies and processes to meet the standard encourages creativity. An added benefit is that such creativity often leads to capital or operational savings which help pay for the new technologies.

For these reasons, NUMMI urges CARB to incorporate into its Scoping Plan the technology equivalency approach under a regulatory framework as an optional alternative to a mandatory cap and trade system for all sources. If you would like to discuss these issues further, please contact our consultant, Tony Fisher, at 916.833.0723.

Sincerely,



K. Kelley McKenzie  
General Counsel

cc: Alan Lloyd, Ph.D.