October 13, 2011

Mary Nichols, Chair
California Air Resources Board
1001 I Street
PO Box 2815
Sacramento, CA 95812

Dear Board Chair Nichols:

I am writing to express the Glass Packaging Institute's (GPI) extreme disappointment with and strong opposition to the Greenhouse Gas Emission benchmarks and cap adjustment factor for the California container glass manufacturing industry proposed for adoption under the AB 32 Cap and Trade regulation.

GPI is the North American trade association for the glass container manufacturing industry and suppliers to the industry, including the glass recycling and processing community. In California, GPI represents three glass manufacturers which operate 5 of the nation's 48 container glass producing facilities. The five California facilities employ over 2600 high-wage, union workers. These plants also support thousands of additional workers in the trucking, warehousing, processing, and suppliers industries that are needed to support these plants.

The member companies of GPI worked long and hard with CARB staff in attempting to develop an equitable emissions benchmark for the container glass manufacturing industry. Unfortunately, we do not believe that CARB staff gave appropriate consideration to issues that we have raised. The proposed emissions benchmarks do not recognize the glass container industry's early actions to reduce emissions in California. Equally troubling, the proposed benchmarks appear to ignore the likelihood of leakage from California glass manufacturers to foreign manufacturers. In addition to meeting with staff repeatedly over the past three years, GPI submitted written comments on these concerns May 20, 2011 and again on August 8, 2011 and our individual members also submitted written comments. It is worth noting that there has been no formal response to any of the GPI comment letters, which we believe to be a significant procedural violation on CARB's part that has prevented an adequate public process.

As stated in previous letters to CARB, GPI seeks the following changes to better reflect the early actions of the industry in California and to protect the industry from leakage:

1. **<u>Adopt a National Benchmark for the Container Glass Industry</u>**
   The California glass container manufacturing plants are already among the most fuel-efficient facilities in the country. This is attributable to technology advancements and the high use of recycled glass containers (cullet), which significantly reduces both natural gas consumption as well as process-related emissions (from carbonate raw materials) thus resulting in some of the lowest CO2 emission rates when compared to similar glass container manufacturing facilities in the nation. California's beverage container

recycling law is supported by the container glass industry through fees on the industry. In addition, California glass container plants are by far the largest purchasers of recycled glass in the State. Glass can be infinitely recycled in a closed-loop process, making it the most environmentally friendly packaging container in the marketplace. California's glass plants use more cullet than facilities in states without post-consumer glass recycling laws, resulting in CO2 emission rates that simply cannot be reduced further without jeopardizing production rates. To keep California glass container manufacturers in a sustainable production rate, the use of national data to derive the allowance benchmark should have been employed by CARB in establishment of the benchmark.

2. **Averaging of 2005-2007 emission data rather, than a single year of 2009 data in establishing the benchmark**
   Even if CARB were to persist in using data only from California glass facilities, recognition of early reduction efforts by our industry and concerns about sustainability of the recycling market require using benchmark data supplied to CARB staff in 2009, which covered production and emissions data for the years 2005-2007. Instead, CARB staff has chosen to use a single year to benchmark the operations of the industry. First, the year selected, 2009, was unique because the glass recycling rate reached an all time high up to that point. For this reason alone, 2009 is not representative and should not be relied on for a benchmark. Also, by choosing just a single, very recent year, the staff has failed to credit the industry for its early and ongoing actions to increase the use of cullet (recycled glass) to manufacture new containers. To capture and give appropriate credit for the industry's early action and to avoid the bias of a single year's results, GPI has suggested that an averaging of 2005 – 2007 emissions data be used. CARB staff presumably believed the 2005-2007 data was relevant because they have already requested and received GPI members' data for those years.

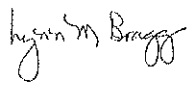
3. **Cap Adjustment Factor**
   Container glass uses carbonate raw materials as essential ingredients in glass manufacturing such as limestone (calcium carbonate) and soda ash (sodium carbonate). These ingredients, when melted, give off CO2. Similar to the cement industry, which received a special cap adjustment factor due to the inability to make cement without carbonate materials, glass cannot be manufactured without these essential carbonates. In the most recent version of the Cap and Trade regulation, CARB staff has extended the special cap adjustment factors to industries where the process-related CO2 emissions equal or exceed 50% of the total CO2 emissions. Due to the substitution of recycled glass for some raw materials, the container glass manufacturers in California have been able to reduce their carbonate-based CO2 emissions to approximately 25% of the total CO2 emissions. We have urged CARB staff to provide a cap adjustment factor which recognizes this unavoidable reality. The current version of the cap adjustment provisions of the Cap and Trade regulation should be revised to provide an appropriate intermediate adjustment factor commensurate with the essential use of carbonates in glass manufacture.

The container glass industry in California already faces stiff competitive pressures from glass production from other states and other countries. Twenty years ago, there were 14 container

glass facilities in California. Today, there are 5 facilities. Currently, there are 16 glass plants in Mexico, many of which are shipping bottles to be filled by California breweries and wineries. The high cost of doing business in California already makes buying wine bottles from China a viable option for California wineries. These proposed regulations will only exacerbate these cost pressures and could lead to more production from overseas, and the possible closure of glass production in the state. Ironically, the net result could be an increase in GHG emissions due to more production from less efficient facilities and more shipping of containers from other countries. This is the epitome of the leakage concerns, which the legislature insisted that CARB consider in its implementation of AB32.

On behalf of the California glass manufacturing industry and its employees, I ask that the California Air Resources Board direct its staff to develop a more appropriate benchmark and a more equitable cap adjustment factor to protect the California container glass industry from leakage.

Regards,



Lynn M. Bragg
President

cc

The Honorable Jerry Brown, Governor, California
The Honorable John A. Pérez, Speaker, California Assembly
Michael Rossi, Office of Governor Jerry Brown
Clerk of the Board, California Air Resources Board (CARB)