

***RULEMAKING TO CONSIDER PROPOSED AMENDMENTS TO CA GREENHOUSE GAS EMISSIONS
CAP-AND-TRADE PROGRAM AND MARKET-BASED COMPLIANCE MECHANISMS TO ALLOW FOR
THE USE OF COMPLIANCE INSTRUMENTS ISSUED BY LINKED JURISDICTIONS***

Board Item: capandtradelinkage12

**Comments Submitted by the Gypsum Association to the California Environmental Protection
Agency Air Resources Board**

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The Industry Benchmark for the Gypsum Product Manufacturing Industry should be Revised from a Weight-Based Metric to a Production-Based Metric

When cap and trade regulations were established by the California Air Resources Board (CARB), the Gypsum Product Manufacturing (GPM) industry agreed to use a benchmark of metric tons CO₂e per short ton of stucco used to produce wallboard. This permitted the CARB benchmark for gypsum board to be normalized with the EU ETS benchmark for plasterboard.

In the interim period since the establishment of the regulations, GPM industry manufacturers have modified formulations for some commodity products. The re-formulation process has resulted in the production of gypsum board materials that are characterized by a lighter average product weight than those produced a few years earlier. This trend in weight reduction is on-going and points toward a composite gypsum board product weight metric that will continue to decline on an annual basis for the foreseeable future.

The Gypsum Association believes the downward trend in product weight has created a scenario that will not allow the industry to take advantage of improvements in energy utilization. While formulation changes have permitted the GPM industry some reductions in energy consumption, the rate of energy consumption decrease has not kept pace with, and likely will not keep pace with, the rate of decrease in product weight.

The denominator in the product-based metric for gypsum board is weight-based. Conceptually, if product weight is continually decreased and energy usage does not decrease at a proportionate rate, members of the GPM industry may not be able to meet target CO₂e allocations regardless of energy usage.

California is currently revising cap and trade regulations to harmonize its system with the cap and trade system that is being assembled by the Province of Quebec. Quebec has adopted a production-based metric for the GPM industry. In keeping with the goal to harmonize these two cap and trade systems, CARB should adopt industry benchmarks that are comparable wherever possible.

We propose that CARB work with the GPM industry through the Gypsum Association to solicit and establish a new production-based emissions benchmark for gypsum board production. The units of this benchmark should not be in terms of metric tons of stucco, but should *reflect a*

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production-based metric, such as CO₂e produced per a normalized unit or volume of board footage. The GPM industry is conducting an internal data review and intends to have a proposed metric available for presentation to CARB for review and discussion in the very near future. As with the Industry Assistance Factor, the Gypsum Association would appreciate being included in the stakeholder process to evaluate industry benchmarks in 2012.