June 17, 2013

Steven Cliff, Ph.D.

Chief - Climate Change Market Branch

California Air Resources Board

1001 I Street

Sacramento, CA 95812-2828

**Re: Ashland Inc.’s Comments on the Air Resources Board Cap-and-Trade Public Meeting to Discuss Natural Gas Suppliers Under the Cap-and-Trade Program**

Dear Dr. Cliff:

Ashland Inc. appreciates the opportunity to submit these comments on the Air Resources Board’s (ARB) June 3rd public meeting to discuss how the natural gas supplier’s will be treated under the cap-and-trade program.

Ashland is a significant user of natural gas. In this difficult economy, it is important that we manage our operating costs. Our natural gas bill is an important part of our on-going operating costs. If the full cost of carbon is passed through to natural gas customers, our natural gas utility bill will increase by up to 16%. This would present a significant challenge to my business and our competiveness with businesses outside of California.

For nearly 25 years, California’s leadership in the area of air quality has contributed to significant improvements in the reduction of emissions. Many years before AB32, the natural gas sector stepped up to the challenge by advancing energy efficiency programs and standards. As the utility representatives discussed at the June 3rd workshop, natural gas utility customers in California have already spent over $2 billion on energy efficiency programs aimed at reducing natural gas use and associated greenhouse gas (GHG) emissions. As a result, the natural gas sector is already below its 1990 GHG emissions levels years before the AB32 goal for 2020.

Ashland is one of the many businesses in California that has participated in one of SoCalGas’ energy efficiency programs. We were invested in equipment modernization, including steam traps and heat recovery systems. Through this partnership with SoCalGas, we have reduced our natural gas use by a total of 328,270 therms so far.

While, we recognize the challenge California has to meet its 2020 goal. We believe the contributions already made by the natural gas sector should be acknowledged by ARB and factored into its plans for providing allowances to the natural gas suppliers.

We support the joint utility proposal for ARB to provide the utilities with 100% of their allowances in 2015 with a small decline in free allowance through 2020. This proposal will allow a phasing in of the carbon price to natural gas customers, while rewarding the sector for taking early actions to reduce emissions.

Thank you again for the opportunity to submit these comments. We look forward to continuing our work with ARB and other stakeholders to ensure the successful implementation of Assembly Bill (AB) 32.

Very truly yours,

Aaron Jenkins, PE

Plant Engineer

Ashland Performance Materials

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