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Via Facsimile to 916.322.3928

Mary D. Nichols
Chair, California Air Resources Board
1101 I Street
Sacramento, CA 95814

Re: Comments on Proposed Adoption of a Regulation for the AB 32 Mandatory Reporting of Greenhouse Gases at the Air Resources Board December 6th Meeting

Dear Chair Nichols:

As you know, NUMMI is the Toyota/GM venture in Fremont, California that employs over 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 regulation for the AB 32 Mandatory Reporting of Greenhouse Gases at the Air Resources Board December 6th meeting.

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.

With respect to greenhouse gases, we recommend that any emissions reporting be very carefully tailored to assure need and consistency in gathering information and guaranteeing accurate counts. We appreciate staff's proposal to exempt backup or emergency generators and portable equipment from the mandatory reporting requirements. The fuel usages and emissions associated with these equipments can be counted and determined from upstream fuel reporting. However, we are concerned that staff continues its proposal to require reporting from energy end users and other combustion sources whose emissions can be determined from generators or upstream fuel reporting.

Section 38530(a) of AB 32 specifies that *the state board shall adopt regulations to require the reporting and verification of statewide greenhouse gas emissions and to monitor and enforce compliance with this program.* (Emphasis added). AB 32 does not require reporting from individual entities, except for retail sellers of electricity, unless there is a need from such entities in determining the *statewide* greenhouse gas emissions. Section 38530(b)(4) of AB 32 affirms this principle by stating the regulations are designed to *ensure rigorous and consistent accounting of emissions, and provide reporting tools and formats to ensure collection of necessary data.* (Emphasis added).

One additional concern is that the law requires that there be a *consistent accounting of emissions*. Naturally, in order to attain a *consistent accounting*, the methodology used to determine the statewide emissions must be the same for 1990 and all following years. Since the 1990 level of statewide emissions was mainly based on *upstream* fuel usage, the fuel usage methodology must be used for those same emitters in determining future yearly emissions. This is the best way to ensure consistency with the 1990 baseline and current inventories as well as future counts. Staff has argued that this is not feasible because the reporting regulation must focus on reporting methods to be applied at a facility level while the current statewide inventory methods must rely on aggregate inventory data sources by sector. We believe that staff's argument is incorrect because AB 32 only requires the reporting regulation to focus on reporting methods necessary to determine *statewide*, and not *facility* level greenhouse gas emissions.

Mandatory reporting of indirect energy usage by end-users, especially electricity, is also an unnecessary and duplicative reporting requirement proposed by staff. This is so because end-users would be reporting energy usage that has already been accounted for by the generators. Staff has argued that the principal consideration is that indirect energy usage provides a more complete picture of the emissions footprint of the facility. This may provide more information about a facility, but as discussed above, such reporting should not be mandated because AB 32 only requires reporting necessary to determine *statewide* greenhouse gas emissions.

Similarly, natural gas users who generate greenhouse gas emissions through combustion should not report emissions, if the methodology used to determine the statewide greenhouse gas emissions in 1990 was based on upstream natural gas fuel usage. Also, it would be much less complicated for the State to gather distribution figures from the limited number of upstream fuel distributors (i.e., natural gas pipeline companies, etc.) than to inventory the usage of many downstream combustion sources.

In summary, in order to track the State's progress in achieving its emissions goals, mandatory reporting is only needed from those fuel sources and emitters that were used to determine the 1990 statewide greenhouse gas emission levels. In fact, this methodology is necessary to ensure consistency in determining future yearly emissions. This type of reporting system will be simpler for the State to administer. It would also assure more accurate counts by eliminating the possibility of energy end users and downstream combustion sources reporting energy usage and emissions already counted by the generators or upstream fuel sources. Finally, by focusing on only the reporting

needed to determine statewide greenhouse gas emissions, the time consuming and potentially expensive verification process can be minimized throughout the State.

Thank you for the opportunity to comment on the proposed AB 32 Mandatory Reporting regulation for Greenhouse Gases scheduled for the upcoming December 6th meeting. 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: Members of the California Air Resources Board
Tom Cackette
Richard Bode