NUMMI
New United Motor Manufacturing, Inc.

45500 Fremont Boulevard Fremont, CA 94538 USA (510) 498-5500

May 21, 2009

(*Via Facsimile to 916.324.5942)*
Mr. Steven Cliff
California Air Resources Board
1101 I Street
Sacramento, CA 95814

Re: *Comments regarding the April 28th Criteria for Compliance Offsets in a Cap-and-Trade Program*

Dear Mr. Cliff:

As you know, NUMMI is the Toyota/GM venture in Fremont, California that employs about 4,700 team members and produces on average more than 300,000 vehicles per year. Also, NUMMI has attracted to California 26 affiliated major part supplying companies that employ a total of approximately 3,200 additional team members. We appreciate the opportunity to share with you our comments regarding the *Criteria for Compliance Offsets in a Cap-and-Trade Program* as presented by CARB at its April 28th 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 sustainable options to protect the environment while not endangering high paying manufacturing jobs such as those NUMMI and its suppliers offer. With respect to man made greenhouse gases, we believe that a regulatory system where eventually each company and individual directly reduces their own greenhouse gas production is the best approach. We understand, though, that our preferred approach is not universally accepted. In California, some kind of pollution credits or "compliance offsets" will apparently be traded on the open market. Our main concern is that whatever system is developed, it results in actual reductions in greenhouse gases and an improvement to the environment.

For any greenhouse gas reduction program to work, there will need to be some built in flexibility. However, such a program cannot be so flexible so as to be meaningless. For this reason, we would recommend allowing so-called compliance offsets only if the offsets are additional, real, permanent and prevent emissions leakage.

Offsets, such as emission reductions or Clean Development Mechanisms ("CDMs"), should only be allowed if 1) the **generator** of the offset has its total emissions "capped" and reduced by the amount of the offset, 2) the **receiver** of the offset has its total emissions capped and increased by the amount of the offset, 3) the **state's or country's** total emission level where the **generator** resides is capped and reduced by the amount of offset externally transferred to another state or country, 4) the **state's or country's** total emission level where the **receiver** resides is capped and adjusted upward by the amount of the offset received externally from another state or country and 5) the **state's or country's** total emission level or cap is not increased when the use or generation of an internal offset occurs within its boundary.

If any of criteria 1through 5 above are not met, problematic transactions could easily occur. In such cases, offsets would be mere paper or money transactions with no certainty in achieving any additional, real and permanent CO2 reductions. As a result, others would have to work harder to assure reduction targets are met.

An example of a problematic transaction is the purchase of an offset attributed to an emission reduction or CDM from a source in a country or state with no total emissions cap. The source generating such an offset actually reduces its emissions internal to its operations. This is a good thing. However, there is no cap on the offset generating source's country or state, so there can be unchecked increases in emissions from other sources within the offset generating source's state or country. This can render the offset meaningless. Therefore, when the offset is used here, it is potentially a mere paper for money transaction. There is likely no additional, real and permanent reduction anywhere in the world of man made CO2 production.

In line with AB32, the criteria mentioned above would assure the integrity of any offset generated or received in a cap-and-trade program. If you would like to discuss these issues further, please contact our consultant, Tony Fisher, at 916.833.0723.

Sincerely,

Kelly McKenzie

K. Kelley McKenzie
General Counsel

cc: Kevin Kennedy (*Via Facsimile to 916.324.5942)*
Lucille Van Ommering (*Via Facsimile to 916.324.5942)*
Brieanne Aguila (*Via Facsimile to 916.324.5942)*
Stephen Shelby (*Via Facsimile to 916.324.5942)*
Sam Wade (*Via Facsimile to 916.324.5942)*
Richard Bode (*Via Facsimile to 916.327.8524)*