NUMMI
New United Motor Manufacturing, Inc.

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May 29, 2009

(Via Facsimile to 916.324.5942)
Mr. Sam Wade
California Air Resources Board
1101 I Street
Sacramento, CA 95814

Re: *Comments regarding the April 28th Introduction to Cap Setting in A California Cap & Trade Program*

Dear Mr. Wade:

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 *Introduction to Cap Setting in A California Cap & 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. We believe that to effectuate the best greenhouse gas control program possible, CARB should consider the overall business conditions, trends and impacts. This also holds true when setting emissions caps for individual facilities.

With respect to the setting of caps, we believe it is critical to take a broad view approach – looking at the history of the industry as well as the potential reaction of the industry to the method in which the cap is set. We recommend that, when setting any emissions cap, the agency first look at the historical production of a facility. If a cap is set on the basis of a 12 month production level actually achieved with full employment, the facility can initiate its emissions reduction program from a reasonable and fair starting point. If the cap happens to be set based on a year when production is unusually low, the immediate reduction expectation for the facility may be unrealistically high.

As an example, due to the poor economic conditions, NUMMI's production in 2008 (i.e., the initial mandatory emission reporting period under AB 32) was abnormally below its representative volumes achieved in the previous two years. In 2008, NUMMI only produced 342,030 vehicles, while under the more normal economic conditions of 2006 and 2007, NUMMI produced 428,435 and 407,896 vehicles, respectively. Were a cap on NUMMI's emissions set at the 2008 level, one of two things could happen. One, NUMMI could be forced to buy pollution offsets which would reduce or negate the value of any immediate increase in production. Two, NUMMI could limit production to the capped year to limit the need to purchase the offsets. Neither of these results would be good for the California economy, nor would they help reduce emissions. In fact, it might result in jobs going to and pollution growing in other states or countries – just the result we are looking to avoid.

In order not to penalize manufacturers during economic downturns and to prevent leakage of emissions and jobs to other states or countries, we recommend that any cap for an individual manufacturing source be set at a truly representative production level. For many facilities, this could be done by normalizing the actual source's 2008 emissions, as reported under CARB's Mandatory Reporting Program, to a representative annual production level actually achieved with full employment during any of the most recent years of operation. Our recommendation is similar to multi-year approaches that have been used by other agencies to determine a source's representative annual emissions. With our recommended approach, a manufacturing facility has a better chance of not being penalized for operating at reduced volumes and emission levels during an economic downturn.

Thank you for considering our concerns about the setting of emissions caps. We appreciate your efforts to retain jobs in California and to prevent leakage of emissions to other states and countries. If you would like to discuss these issues further, please contact our consultant, Tony Fisher, at 916.833.0723.

Sincerely,

Kelley McK

K. Kelley McKenzie
General Counsel

cc: Kevin Kennedy (*Via Facsimile to 916.324.5942*)
Steven Cliff (*Via Facsimile to 916.324.5942*)
Lucille Van Ommering (*Via Facsimile to 916.324.5942*)
Brieanne Aguila (*Via Facsimile to 916.324.5942*)