



Graphic Packaging International, Inc.
2600 De La Cruz Boulevard
Santa Clara, CA 95050

June 11, 2012

Cap and Trade Program
California Air Resources Board
1001 I Street
Sacramento, CA 95814
Email: ghgreport@arb.ca.gov

Subject:
Cap and Trade Leakage Monitoring Data Request

Reference:
California Air Resource Board Mandatory Reporting Workshop, Dated May 30, 2012

Dear Cap and Trade Team:

Graphic Packaging International, Inc., (GPI) is pleased that the California Air Resources Board (ARB) is concerned about the impact cap and trade has on leakage in our industry and others in the State of California. As part of the Recycled Boxboard Manufacturing industry sector, GPI is in a very competitive and trade-exposed sector. While we applaud these efforts, we are concerned about the amount of confidential data ARB is considering requesting from our facility and others across the state. Our concern stems from three issues:

- Can ARB guarantee that these data will remain confidential?
- The data requested appears to be unrelated or unnecessary for assessing leakage
- How can ARB acquire the same data in the same timeframe from our competitors?

ARB is considering requesting six confidential pieces of data on an annual basis. These data are:

- Total value of product shipped and other receipts
- Annual payroll
- Total capital expenditures
- Cost of materials
- Number of production workers
- Number of other employees



Such data are very sensitive in our industry, as it probably is for other industries as well. Understanding how ARB can guarantee that these data will be kept confidential and what recourse may be taken should these data be released, inadvertently or otherwise, would be necessary before agreeing to this confidential data request.

It is not clear to us how these data would be used to assess leakage on an ongoing basis. Some of the data, such as the number of other employees (presumably administrative), does not seem relevant to the leakage assessment objective. It seems this could be done in a much simpler manner by comparing the total value of product shipped from California facilities versus those outside California (including foreign imports) for the nationwide market. A more detailed explanation on how the data would be used in a leakage assessment would be beneficial in gaining industry acceptance for submittal of these sensitive data. It would also help all of us understand what data are really needed.

While ARB can request data from California facilities, it cannot do this effectively for facilities outside its jurisdiction. But failure to obtain the same quality of data from non-California facilities as well as foreign facilities importing goods into the US will lead to failed leakage assessment. All data from facilities inside and outside California must be for the same parameters (e.g. number of other employees per facility) over the same time period. A detailed discussion with industry on how ARB will ensure that data quality will be maintained regardless of whether it comes from California or outside California would be necessary to gain industry acceptance. Sharing with industry the data (including timeframes) ARB is able to acquire for leakage monitoring would be helpful, as industry can see what data California facilities can provide in order to create a meaningful leakage monitoring assessment.

GPI recognizes the difficulty in assessing leakage in this program. We hope that ARB can find a way to make a meaningful assessment. But if this is not possible, GPI would not feel comfortable submitting confidential information to ARB as doing so puts our competitive position in the marketplace at risk.

Sincerely,

Richard M. Johnston
General Manager & Responsible Official

Copies:
William Buchan, Market Potential, Inc.