

**COMMENTS TO THE CALIFORNIA AIR RESOURCES BOARD ADDRESSING LEAKAGE RISK, TRADE EXPOSURE, ET AL IN RESPONSE TO THE REQUEST FOR INFORMAL COMMENT MADE DURING THE MAY 30, 2012, WEBCAST**

**SUBMITTED BY: GYPSUM ASSOCIATION**

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**The Industry Assistance Factor for the Gypsum Product Manufacturing Industry in Table 8-1 is generally understated and should be higher**

The Gypsum Association believes that the annual Industry Assistance Factor (“AF<sub>a</sub>”) for the Gypsum Product Manufacturing (“GPM”) industry should be 100 percent for the entire 2013 through 2020 period.

While we agree that the GPM industry should not be evaluated as a “high emissions intensity” industry, we are concerned that in assigning a “medium” leakage risk classification to the industry, the California Air Resources Board (“CARB”) has undervalued the local trade exposure risk to the industry. With GPM facilities located in the states and countries adjacent to California and the ease of transport of our products as discussed below, the GPM industry in California is trade exposed on a local basis to a greater degree than currently recognized by CARB.

**Because of its “high” leakage risk, the GPM industry should be assigned 100 percent Industry Assistance Factors for the entire 2013-2020 period**

The Gypsum Association believes that using national and regional data to calculate trade share, as outlined in Appendix K of the rule, causes the trade exposure classification for gypsum products to be understated.

Gypsum board is a consistent quality, commodity material that can be cost-effectively transported by rail. As a consequence, gypsum board can be produced in a specific state or country and easily transported and sold in a different state or country. Our concern is that the CARB has not taken this attribute fully into account when assigning the leakage risk classification to the GPM industry.

Through a member company, The Gypsum Association can provide industry data for California

for the year 2010. The data is confidential in nature and can be shared with the CARB provided that it is protected accordingly.

We believe that the data will show that approximately one-third (~33%) of the wallboard sold in California is produced outside of the State of California. It is a percentage of imported material that would create a trade share percentage in excess of the 19 percent threshold in Table K-6 that identifies a “high” leakage exposure industry.

The GPM industry is presently classified as a “medium” emissions intensity industry. Because of its “medium” emissions intensity and its “high” trade exposure, the GPM industry should be assigned 100 percent assistance factors for the entire 2013-2020 period as a “high” leakage risk industry according to CARB’s original Leakage Analysis.

**The Gypsum Association questions the use of “total value of product shipped and other receipts” as an appropriate quantification input for calculating leakage monitoring benchmarks**

Product shipment data for the GPM industry is typically aggregated using quantity data, not “value” data, for both finished material shipments and raw material inputs. Finished material shipments for gypsum panels, for example, are calculated as thousands (or millions) of square feet of material. Raw inputs are calculated in tons of ore used, or pounds or gallons of additive consumed.

We believe that leakage monitoring issues can best be assessed by using shipment and raw input quantity data, not value data. Quantity data is routinely aggregated by GPM industry participants, a process that has been on-going for decades, and likely could be readily provided to CARB. Converting quantity data to value data is unnecessary and will require the need to create value conversion factors or ratios, a process that will be controversial and fraught with debate. In addition, any conversion factor will have to incorporate a mechanism that will diminish the effect and impact of fluctuations in price caused by factors external to leakage monitoring issues. These would include natural disasters, labor strikes, and the operation of the material distribution system, the latter being a significant factor that is largely outside the control of a material manufacturer.

**The Gypsum Association suggests that CARB needs to provide further information on its proposal to collect information on the “Cost of materials, parts, packaging, fuels, and electricity.”**

The Gypsum Association would suggest that discussion needs to occur with industry regarding the collection of the above-noted information. Given the significant quantity of input materials, parts, etc. that can be included in the manufacturing of a commodity material, limits on the

extent of the specific data that will be required by CARB should be discussed.

**The Gypsum Association offers any and all Assistance to CARB as it reviews and refines its Leakage Monitoring Process**

The Gypsum Association understands that the CARB has partnered with the University of California to further assess leakage risk. The Gypsum Association and its members that operate manufacturing facilities in the State of California would appreciate being included in the stakeholder process and will provide industry information, such as the data identified in these comments, to assist CARB in correctly assigning leakage risk to the GPM industry.

We believe that working with the GPM industry will offer CARB the opportunity to examine the impact of its leakage monitoring process on a specific industry, an examination that should provide value to CARB as it examines other similar industries.