



June 12, 2012

Submitted electronically to ghgreport@arb.ca.gov

David Edwards
Chair Mary Nichols
James Goldstene
California Air Resources Board
1001 "I" Street, Sacramento, CA, 95812

Re: Comments on Leakage Monitoring Under the Mandatory Reporting Regulation (MRR)

Dear Mr. Goldstene, Chair Nichols and CARB Board Members:

On behalf of the Union of Concerned Scientists (UCS) and Natural Resources Defense Council (NRDC) thank you for the opportunity to comment on staff's proposal – outlined at the May 30, 2012 Mandatory Reporting workshop – to collect facility-level data from industry in support of CARB's efforts to monitor and prevent emissions and economic leakage.

We strongly support this proposal. It is imperative CARB have the data and tools at its disposal to actively monitor, analyze and respond to leakage, which at a minimum will require access to the facility-level economic indicators outlined in the staff presentation.¹ We agree with staff that collection of this data in a timely fashion will improve CARB's ability to assess leakage as implementation unfolds and respond, as necessary, to correct for any imbalances in the design of specific regulations. As staff notes, we are not aware of any other data source that can provide this information with sufficient frequency to enable CARB to respond in a timely manner.

We also support and agree that CARB collect facility level data through the MRR as opposed to a voluntary survey or other opt-in arrangement. For the data to be useful in assessing leakage exposure and informing future program refinement, CARB must have access to data from all market participants. We fully expect CARB's longstanding practice and commitment to maintain the confidentiality of industry data provided, to adequately address disclosure concerns.

¹ See CARB, "Mandatory Reporting Workshop: Potential Revisions to the California Mandatory Greenhouse Gas Reporting Regulations," p. 23 (May 30, 2012), available at: http://www.arb.ca.gov/cc/reporting/ghg-rep/revision_2012/reg_revisions_1page.pdf.

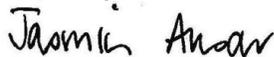
We also recommend that the value of product shipped for the export and domestic markets be identified by facility.

In addition to the staff proposal, we recommend CARB take four supplementary steps to develop a robust data set by which to monitor and analyze leakage as the program matures:

- Collect facility-level data to develop historic baselines: We recommend that facility level data also be collected for the five years prior to implementation of the cap and trade program (i.e., collect data for 2008 onward). This historical data provides a necessary baseline for estimating leakage and other economic effects of the cap and trade program.
- Develop competitive cost benchmarks: We recommend that CARB develop a competitive cost benchmark for each sector and compare the movements of that benchmark with the changes in California's sector-wide costs. For refineries, for example, the cost benchmark should compare the costs of production of refining products produced in-state with those produced in the Gulf Coast (or a composite competing supplier) and shipped to California. This comparison should also be developed and tracked from 2008 onwards.
- Provide annual leakage report: We recommend that CARB provide an annual report summarizing the results of its leakage monitoring activities and findings.
- Report on refinery crude quality. Pursuant to the MRR, we recommend CARB require refineries to report on the quality of crude oil processed at their facilities (including criteria such as density and sulfur content) for both domestic and imported crude feedstock .

We appreciate the opportunity to provide comments on staff's proposal and we thank staff for all their work on these important issues. We look forward to working with staff on an ongoing basis. Please call Jasmin Ansar at 510-809-1570 if you have any further questions.

Sincerely,



Jasmin Ansar
UCS



Alex Jackson
NRDC

Cc:

Mary Nichols
James Goldstene
Steve Cliff
Edie Chang