

August 10, 2011

California Air Resources Board
Clerk of the Board, Air Resources Board
1001 I Street, Sacramento, CA 95814
<http://www.arb.ca.gov/lispub/comm/bclist.php>

RE: Comments on California Cap on Greenhouse Gas Emissions and Market Based Compliance Mechanisms

Temple-Inland appreciates the opportunity to submit comments on the "California Cap on Greenhouse Gas Emissions and Market Based Compliance Mechanisms" (Subchapter 10 Climate Change, Article 5, Sections 95800 to 96022, Title 17, California Code of Regulations). Temple-Inland presently operates a Recycle Paperboard Mill in Ontario that will be subject to the proposed rule.

We support the recommendations made by the American Forest & Paper Association (AF&PA) on this proposed rule. Several of the issues raised by AF&PA have particular impact on our mill and we are providing additional support regarding our concerns with product based benchmarks.

We are concerned that CARB is proposing to use product based benchmarks as the basis of allowance allocations for the Paperboard sector. As discussed in the comments submitted by AF&PA on December 14, 2010, an industry-wide analysis of pulp and paper manufacturing showed no correlation between greenhouse gas emissions and product type. Considering the fact that the Paperboard sector is one of 13 sectors contributing only 9 percent of the California GHG emissions (Appendix B, p. 11), the benchmarking process is not only inappropriate, but it is too complex for the results obtained. As a result, we support the use of actual emissions as the basis of allowance allocations.

The Paperboard sector is a widely diverse sector. The Ontario Mill produces linerboard and medium, operates a Cogeneration unit (sells power to the grid), and provides steam to our co-located box plant. To the best of our knowledge, we are the only mill in California that produces linerboard, and one of two mills that produces medium (Note: The mill makes medium dependent on market conditions whereas a mill designed as a medium mill cannot make linerboard). We are also one of the largest, if not the largest, producer of paperboard products in the state (i.e., based on machine tons per day). These characteristics make the Ontario Mill unique in California.

Appendix B of the proposed rulemaking indicates that CARB's approach may be compared to the product benchmark work done in the European Union's Emissions

Trading Scheme (EU ETS) for the paperboard sector. Specifically noted is that the EU ETS benchmarks reflect the average GHG performance of the 10 percent best performing installations. We cannot confirm how CARB developed the product benchmarks for the Paperboard sector because there is no supporting documentation provided in the proposed rulemaking. However, CARB did establish product benchmarks for both products made at the Ontario Mill, linerboard and medium. Since the sample size for these two products (one and two mills, respectively) is so small, we do not believe it is appropriate to establish product based benchmarks. It would certainly be inaccurate to say that the proposed benchmarks reflect the average GHG performance of the 10 percent best performers. Since there are so few mills in each of the product categories, it would be more accurate to use actual emissions for allowance allocations.

In addition, we would like to point out that in the April 2011 decision, the European Commission determined that where several products are produced at one location, it was not feasible to assign GHG emissions to individual products and therefore, those sites were not included in setting the benchmarks. Since the Ontario Mill produces multiple products, using the EU ETS logic, it would be inappropriate to establish product benchmarks based on data from this mill. Since the Ontario Mill is the only producer of linerboard, there would be no valid data to support a product based benchmark for this activity and actual emissions should be used.

Temple-Inland provided CARB with both 2009 and 2010 production data for the Ontario Mill. We would like to point out that the 2010 GHG data has not been verified and could change once that process has been completed (expected October 2011).

Finally, in Section 95802, on page A-5, "Air Dried Ton of Paper" is defined as paper with a 6 percent moisture content. As the industry definition for Air Dried Ton is 10 percent moisture content, Temple-Inland believes that the proposed definition should be changed to reflect the industry standard and avoid potential inconsistencies with other reported production data generated by industry. Alternatively, a standard could be written based on "bone dry" or "oven dry" tons, both defined as 0 percent moisture content. Under either scenario, conversions will have to be made from the measured production rate which is termed scaled tons and defined as "machine dry" tons. The term "machine dry" is variable from mill to mill, grade to grade and even from time to time.

We appreciate the opportunity to provide comments on the California "GHG Cap & Trade" rule. If you have any questions about these comments or need additional information, please do not hesitate to contact me at 512-434-1048.

Respectfully Submitted,



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