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August 11, 2011

California Air Resources Board
1001 I Street
Sacramento, CA 95812

[Submitted electronically via the capandtrade10 Board Item at <http://www.arb.ca.gov/lispub/comm/bclist.php>]

Subject: Comments for PUBLIC HEARING TO CONSIDER ADOPTION OF A PROPOSED CALIFORNIA
CAP ON GREENHOUSE GAS EMISSIONS AND MARKET-BASED COMPLIANCE
MECHANISMS REGULATION, INCLUDING COMPLIANCE OFFSET PROTOCOLS -
Development of Product Benchmarks for Allowance Allocation

Chairman Nichols and Members of the Board:

The Procter & Gamble Paper Products Company is pleased to submit comments on the ARB's development of product benchmarks for allowance allocation associated with the December 16, 2010 public hearing to Resolution 10-42, for the Adoption of a Proposed California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation, Including Compliance Offset Protocols.

The Board's Notice of Public Availability of Modified Text and Availability of Additional Documents published on July 25, 2011, requests public comment on various aspects of the State's Greenhouse Gas (GHG) Cap and Trade program. We wish to provide enclosed comments to Appendix B – Development of Product Benchmarks for Allowance Allocation.

The Procter & Gamble Paper Products Company has a manufacturing facility located in the City of Oxnard, County of Ventura, California. This facility has been in operation since before 1974 when we acquired it. We employ numerous residents of Ventura and surrounds counties and distribute our products throughout the western United States.

Regulatory Concern

The Procter & Gamble Paper Products Company is concerned that the State is proposing to assign our Oxnard facility annual GHG allowances based on a product benchmark established by a facility in our industrial category which produces fundamentally different products, produced using a fundamentally different technology, and with a subsequent emissions intensity that is not comparable to or demonstrably similar to our own.

We urge the Board to assign emissions intensity benchmarks, for the purposes of GHG cap and trade program, in a way that acknowledges unique differences between facilities, and which is consistent with facility's current activity.

Regulatory Intent

ARB has indicated that it recommends that the level of free allocation to industrial facilities be based, to the extent feasible, on product-based GHG emissions intensity benchmarks. Further the board has clarified that baseline annual amount of California GHG Allowances directly allocated to each eligible entity be representative of current activity.

We agree that the Board should assign emissions intensity benchmarks specific to industrial facilities. We also strongly believe that the benchmarks must reflect product differences, and the related manufacturing process variation and energy intensities associated with those product differences within an industrial category

Finished Product Attribute Differences

Our Oxnard facility manufactures market-leading premium toilet tissue and kitchen towel products which are substantially different than competing products in the market place. It is this product differentiation on which our successful business model and competitive market strategy are based.

Specifically our tissue and towel products are based on proprietary structured paper technology, which is designed to efficiently deliver specific product attributes, such as absorbency and strength while minimizing overall fiber usage. This makes them fundamentally different than other paper products which do not use similar manufacturing technology.

Product Attribute Based Consumer Benefits

Our products provide consumer preferred appearance, absorbency, resilience, and texture attributes which are different than competing products. These product differences, and associated consumer benefits, are based on a manufacturing technology that is unique to our company.

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Emissions Intensity vs. Other Similar Sources

The technology used to manufacture our products is inherent to delivering the design specifications for our finished product physical attributes and performance characteristics. Our manufacturing process and equipment is specifically designed to deliver targeted consumer preferred product-based benefits and differs from others in our industrial sector.

The energy utilization and subsequent emissions intensity follows as a natural consequence from the unique design of our manufacturing process which is designed to deliver consumer preferred differences in finished product performance.

Based on calculation methods identified in Appendix B – Development of Product Benchmarks for Allowance Allocation, and emissions data currently available through the ARB, there is a significant difference between our Oxnard Facility and other sources in our industrial category.

The difference in emissions intensity and product attributes and performance provides compelling data that our Oxnard Facility is substantially different and should be evaluated on its own merit to establish a facility specific emissions intensity product-based factor.

Emissions Intensity Source Benchmarking

Resolution 10-42 directs that allowances be allocated under the product-based approach.

Because our products are substantially different in physical attributes we request that the ARB assign an emissions intensity benchmark factor unique to our Oxnard facility as differentiated by other similar sources in our industrial category currently in operation in the state.

Conclusion

Based on the numerous factors above, we believe our facility located in the City of Oxnard should be assigned an emissions intensity product benchmark unique to us, and not the same as the (one other) source in California within our same manufacturing industrial category.

We thank the ARB for the opportunity to provide these comments, and request the opportunity to discuss these comments further with ARB Staff.

Respectfully,



William Sims
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