PPG Industries, Inc. 3333 South Peach Avenue Fresno, California 93725

Ray C. Yee
Plant Manager

September 27, 2011

Clerk of the Board
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

Re: Comments on September 12, 2011 Modified Text of Cap-and-Trade Proposal

Dear Members and Staff of the Air Resources Board:

PPG Industries, Inc. (PPG) is pleased to provide you with comments regarding the September 12, 2011 modifications to the text of the proposed cap-and-trade regulation for greenhouse gas (GHG) emissions in California. PPG is a multinational company that manufactures flat and fiberglass products, industrial and specialty chemicals, and architectural, aerospace and automotive paints and coatings at facilities in 24 countries around the world. PPG manufactures flat glass products at a float glass facility in Fresno, California, which would be covered by the proposed cap-and-trade regulations.

PPG's comments on the proposed additional 15-day modifications to the regulation are focused on one issue: The need to include the flat glass industry in the group of industries eligible for the lower cap adjustment factor in Table 9-2. The flat glass industry is similarly situated to the three industries to which CARB has assigned the lower cap adjustment factor. A very significant proportion of CO2E emissions from flat glass manufacturing – approximately 30 percent, based on PPG's data -- result from the use of raw materials for which no substitute is available.

Under the harmonization of the MRR rule with federal GHG reporting requirements, CO2E emissions resulting from carbon in the raw materials used to make glass (*i.e.,* process emissions from glass production) will be included in a glass production facility's total reported CO2E emissions. This poses a significant challenge for flat glass manufacturers because there are no lower-carbon substitutes for the raw materials used in the production of flat glass. While a higher proportion of cullet may reduce the carbon content of the raw material batch, significantly increasing cullet usage is not a viable option for flat glass manufacturers due to product quality impacts. In this regard, flat glass manufacturing is quite different from other types of glass manufacturing.

PPG has analyzed a decade's worth of data that show, on average, that approximately 30 percent of total CO2E emissions from a flat glass furnace are attributable to carbon-containing raw materials. These process emissions are not amenable to reduction under the annually declining cap. There are no CO2E emission-related efficiencies that can be achieved with respect to the raw materials used in making flat glass that would reduce that percentage in any significant way. Thus, compliance with the annually declining GHG cap must be achieved almost solely by reducing combustion-related CO2E emissions. To subject the flat glass industry to the same declining cap that applies to other industries with more flexibility to reduce CO2E process emissions would be an unfair burden.

CARB staff has provided no justification for the selection of a 50 percent cutoff for eligibility for the lower cap adjustment factor. Thirty percent of "process emissions for which no cost-effective abatement opportunities are currently available" seems to PPG also to be "a significant level." Flat glass manufacturers such as PPG will have only 70 percent of total CO2E emissions available for potential reductions, while other industries subject to the same cap adjustment factor will have most or all of their CO2E emissions available. PPG urges CARB to further revise Table 9-2 to include flat glass manufacturing as one of the sectors eligible for the lower cap adjustment factor.

PPG appreciates this opportunity to submit these comments on the proposed September 12, 2011 modifications to the GHG cap-and-trade regulation.

Sincerely,

Herb Roby for Ray Yee

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