



**The Procter & Gamble Manufacturing Company**  
8201 Fruitridge Road  
Sacramento, CA 95826  
[www.pg.com](http://www.pg.com)

November 27, 2018

Clerk of the Board  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95812

*Submitted online*

Re: Procter & Gamble Manufacturing Company Comments on November 15, 2018  
Amendments to Cap-and-Trade Rulemaking

Dear Clerk:

The Procter & Gamble Manufacturing Company (P&G) appreciates the opportunity to comment on the California Air Resources Board's (ARB) November 15, 2018 Notice of Proposed Amendments to the Cap-and-Trade Regulation.

P&G's Sacramento plant has been operating for more than 60 years and has approximately 120 employees. The plant manufactures, distributes, and provides customer services for natural ingredients including fatty alcohols. The plant also converts coconut oil into a variety of products for use by P&G as well as for sale to other industrial customers. P&G is the only natural alcohol manufacturer in the United States. Competing products come from Malaysia and Indonesia, and the Sacramento plant qualifies as an Emissions Intensive Trade Exposed industry in California. P&G is broadly supportive of the State's efforts to reduce its GHG emissions. P&G has adopted many of its own sustainability initiatives to reduce its GHG emissions through energy efficiency measures and renewable energy purchases, while at the same time, remaining competitive in a global market place. To learn more please visit:

<https://news.pg.com/press-release/pg-announces-new-environmental-sustainability-goalsfocused-enabling-and-inspiring-pos>.

P&G supports the removal of Section 95894(e), the Allocation to Legacy Contract Generators for Transition Assistance. Proposed Section 95894(e) was contrary to the ARB's original intent in adopting the Legacy contract provisions, which was to provide transitional allowances that encourages negotiating GHG costs into revised contracts. P&G is hopeful that these proposed revisions will move parties' efforts to renegotiate legacy contracts forward.

In addition, given the original intent of the legacy contract provisions, all or most parties should have already revised contracts by now to incorporate GHG costs – absent unusual circumstances not contemplated when the Legacy contract provisions were first promulgated. Given that some parties continue to seek legacy contract relief rather than renegotiate contracts, it's likely the legacy contract provisions as written have caused unintended outcomes, disincentivizing certain parties from renegotiating. To avoid this unintended circumstance, the ARB should clarify that the legacy contract

provisions require an applicant to demonstrate actual cost exposure linked to legacy contract GHG emissions under 17 Cal. Code Reg. Sec. 95894(a)(3)(A). In making the determination of actual cost exposure, the ARB should consider all relevant factors, including the applicant's participation in quarterly auctions, purchases of allowances through bilateral transactions, or the free allocation of allowances provided to an applicant and its direct corporate associates. If an applicant does not demonstrate that it actually incurred the "cost of legacy contract emissions", then it should not be eligible for a legacy contract allocation under Section 95894.

P&G is hopeful that with the aforementioned amendments and clarification regarding cost exposure, the outstanding legacy contracts will be resolved prior to the next application deadline.

Respectfully submitted,

Simon Martin  
P&G Sacramento Plant Manager  
Tel: 916-381-9601  
E-Mail: [martin.sp.1@pg.com](mailto:martin.sp.1@pg.com)