GOODIN,
MACBRIDE,
SQUERI & DAY, LLP

Suzy Hong, Attorney at Law

April 10, 2017

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

Re: USS-POSCO Industries Comments on 2017 Climate Change Scoping Plan Update: the Proposed Strategy for Achieving California's 2030 Greenhouse Gas Target and Draft Environmental Analysis

USS-POSCO Industries (UPI) appreciates this opportunity to provide comments on ARB's 2017 Climate Change Scoping Plan Update (Proposed Scoping Plan). As noted in previous comments, UPI operates a steel finishing plant in Pittsburg, California, providing employment for approximately 650 residents of Pittsburg and nearby communities. UPI is subject to California's greenhouse gas (GHG) Cap-and-Trade program and takes its environmental stewardship responsibilities very seriously. UPI believes that California's Cap-and-Trade program has been an effective GHG reduction strategy that is a model for other economies throughout the world. The Proposed Scoping Plan acknowledges the value of Cap-and-Trade, which is included in the Proposed Scenario. To the extent that the Proposed Scenario continues to acknowledge the importance of minimizing potential emissions leakage, UPI believes it is generally on the right track, subject to amendments to the Cap-and-Trade program regarding post-2020 Industry Assistance Factors and allowance allocation.

ARB Staff held a very informative workshop on March 28, 2017 to review and compare the Proposed Scenario and alternative scenarios. Based on the information provided, there does not appear to be any compelling reason to depart from maintaining the current Cap-and-Trade program. One important conclusion of Staff's analysis is that alternatives to the Proposed Scenario – such as prescriptive GHG reduction requirements and a Cap-and-Tax program targeting large stationary sources' GHG emissions – are not likely to effectively address criteria and toxic (local) pollutants in environmental justice communities. This is because GHG reductions from larger sources have a smaller impact on local pollutants than comparable GHG reductions achieved through the Low Carbon Fuel Standard (LCFS). Additionally, according to ARB Staff's analysis, targeting specific facilities and industries for GHG emissions reductions will likely impose higher costs on the California economy than the Proposed Scenario. The Proposed Scenario, including the Cap-and-Trade program, thus encourages getting the most GHG-reduction benefits for the lowest cost.

T 415.392.7900 F 415.398.4321
www.goodinmacbride.com
505 Sansome Street, Suite 900 | San Francisco, CA 94111

E shong@goodinmacbride.com

Another alternative being discussed is replacement of the Cap-and-Trade program with a Carbon Tax. The Carbon Tax is often touted as a more efficient mechanism than Cap-and-Trade. However, that efficiency is significantly lessened by the fact that the tax would only apply to entities in California, magnifying the potential for "GHG leakage" and diminishing the potential beneficial impacts of GHG emissions reductions in California. Leakage is a direct result of California's GHG regulations not applying to industry in other states. To the extent that GHG regulations increase the cost to produce goods in California, they diminish the competitiveness of California industries. Some of these "trade exposed" industries may move production to facilities outside California where they would not be subject to GHG regulations. Paradoxically, when that occurs, it often results in increased GHG emissions overall because the out-of-state production is more likely to have higher overall direct emissions, higher indirect emissions due to electric generation profiles, and increased transportation requirements. Thus, besides negatively impacting employment and economic activity in California, leakage tends to increase overall emissions.

As part of the highly competitive steel industry, UPI urges ARB not to abandon leakage prevention in favor of increased revenue through a California-centric Carbon Tax. California can continue to be a leader on climate change without handicapping California's competitive industries.

UPI also supports the continued use of GHG emission offsets, which represent real, verified reductions in GHG emissions achieved in areas that are not otherwise obligated to reduce emissions. Further, UPI believes the current 8 percent limit on the use of offsets for Cap-and-Trade compliance is a reasonable level that should not be lowered; indeed, UPI supports the expansion of the use of GHG emissions offsets for compliance purposes.

Very truly yours,

GOODIN, MACBRIDE,
SQUERI & DAY, LLP

/s/ *Suzy Hong*
Suzy Hong

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