



Rajinder Sahota
Chief, Climate Change Program Planning & Management Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95812

October 19, 2015

Re: Qualcomm Comments on October 2 Air Resources Board Workshop to Discuss
Proposed Amendments to the Cap-and-Trade Program

Dear Ms. Sahota:

Qualcomm Incorporated provides the following comments on the October 2, 2015 Cap-and-Trade Workshop. Qualcomm's comments focus on three areas. First, the ARB should maintain and clarify the But-for-CHP Exemption. Second, the ARB should recognize that natural gas utilities are better equipped and can more cost effectively absorb the administrative costs of the cap-and-trade and pass through a carbon price signal compared to small industrial entities. The ARB should increase the covered entity threshold now that the natural gas sector is covered by the Cap-and-Trade. Third, Qualcomm supports staff's acknowledgement of the need to study new EITE designations for companies that are trade exposed solely due to their electricity usage.

I. The ARB should Maintain and Clarify the But-for-CHP Exemption.

Board Resolution 12-33 and the but-for-CHP Exemption were intended to incentivize new, efficient distributed electricity generation technologies, such as Combined Heat and Power ("CHP"). Section 95852(j) sets forth an important exemption that applies to any "facility with a cogeneration unit that meets the requirements of this section." Based on the language in the exemption, Qualcomm believed that the exemption would be calculated for each "cogeneration unit." It is not clear from the language in Section 95852(j) whether the limited exemption applies at the cogeneration unit level or the facility level. There are instances where there are multiple cogeneration units within a single facility boundary. The facility definition set forth in the Mandatory Reporting Regulation is broad and in certain instances encompasses multiple cogeneration units that are functionally separate, but are nevertheless part of the same facility due to common ownership. In these instances, if the cogeneration units are functionally separate, the exemption should be applied separately to each cogeneration unit. The ARB should amend Section 95852(j) to clarify that when cogeneration units are operated independently of one another, serve separate loads, have separate air permits, and the thermal output is put to separate uses, then the cogeneration units will be evaluated separately under Section 95852(j). In these instances, the calculation set forth in Section 95852(j) should be calculated for each cogeneration unit. If each cogeneration unit satisfies the two conditions set forth in Section 95852(j)(1)(A)

and (B), then each cogeneration unit should qualify for the exemption and the total emissions associated with the “facility” should be eligible for the limited exemption.

II. Natural Gas Utilities Are Best Equipped to Efficiently Impose A Carbon Price on Natural Gas Usage.

The ARB should evaluate changing the threshold for small industrial entities now that the natural gas sector is covered under the Cap-and-Trade program. The administrative and transactional costs associated with cap-and-trade compliance can be burdensome and expose many small industrial entities to trade exposure. The natural gas sector is better able to absorb these costs and minimize the carbon costs borne by end users because natural gas utilities can spread the administrative costs over a large number of customers and purchase compliance instruments in large volumes. In other words, the inclusion of a carbon price signal can more cost effectively be incorporated into the natural gas sector. Moreover, regulating small industrial entities through the natural gas sector would still achieve the ARB’s emission reduction goals through the enforcement of a cap on total allocations to the natural gas sector. For these reasons, the ARB should raise the Cap-and-Trade threshold to 100,000 metric tons of CO₂(e)/year.


III. Qualcomm Supports The Evaluation of New EITE Designations.

As a matter of consistency, the ARB should evaluate new EITE designations for entities it may have overlooked in the initial EITE studies it prepared early in the Cap-and-Trade Rulemaking process. California’s industrial sector is dynamic and ever-changing. It is also exposed to competition and trade exposure because other states do not place expensive GHG emissions controls on industrial activities. Many industries with emissions starting after 2012 were not studied for inclusion as EITE industries. In addition, companies that are trade exposed solely due to their electricity usage (and that have no direct emissions), may also face leakage risks due to the indirect GHG costs in electricity rates. The ARB should update its list of EITE entities to ensure that similarly situated companies within the industrial sector are treated comparably and the ARB achieves the statutory direction in AB 32 to minimize leakage risks.

CONCLUSION

Qualcomm respectfully requests that the ARB extend the But-for-CHP exemption post-2020 and clarify the exemption in order to fulfill the intent of Board Resolution 12-33. Qualcomm also believes that the ARB should raise the covered entity threshold now that the natural gas sector is included in the Cap-and-Trade. Finally, the ARB should update its list of EITE designations. Qualcomm appreciates the opportunity to submit these comments.

Sincerely,



Gail Welch
Director, Sustainability
Qualcomm Incorporated