

Solar[®] Turbines

A Caterpillar Company

Solar Turbines Incorporated
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Clerk of the Board
California Air Resources Board
1001 J Street
Sacramento, CA 95812

April 27, 2017

Re: Second 15-day Comment Period, Proposed Revisions to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms

Solar Turbines (Solar) is a 90-year California Company with its corporate headquarters and two primary manufacturing facilities in San Diego. This includes approximately 4,000 employees in California and more than 7,000 worldwide. We are an international company, providing clean energy solutions to customers on every continent. Solar is the only industrial gas turbine manufacturer in California.

The San Diego Kearny Mesa facility, where all new products are packaged, tested and distributed, is subject to the mandatory reporting and cap and trade regulations. Emissions are generated by gas turbine testing for research and development, and performance and safety testing required by customers.

Solar respectfully submits the following comments on recently proposed changes to the Cap and Trade Program:

- 1. Section 95870-Disposition of Vintage 2013-2020 Allowances.** Solar remains concerned that we will continue to be designated as a medium leakage risk for the final compliance period. This designation will reduce our assistance factor by 25%. Given Solar's unique business, with international competitors not subject to Cap and Trade or other GHG reduction mandates, Solar requests Staff propose a "High Potential" 3rd compliance period leakage designation.
- 2. Section 95871-Disposition of Allowances from Vintage year 2021 and beyond.** The recommended regulatory changes do not include any proposed allocation assistance for Solar Turbines. We acknowledge that Staff stated they believe continued assistance is necessary, and committed to proposing a new Table 8-3 (or something similar), at a later undetermined date. Solar and other California businesses remain trade exposed, particularly given that no western states have joined the AB32 program, or enacted equivalent regulations on manufacturing. Solar has reduced our carbon footprint since 2006, and is committed to making more progress. However, assistance is still necessary, particularly for trade exposed companies like Solar that

compete in international markets, to free up capital for plant investments. Solar requests that the Board adopt a resolution directing Staff to propose post 2020 assistance factors at the earliest possible date so industry can adequately prepare operational and compliance strategies that will be necessary in just a few years.

Additionally, any entity-specific allowances remaining from the previous compliance periods should be available for use in post 2020.

In summary, Solar is very concerned that the proposed regulation continues to represent considerable uncertainty and risk to our business. We have worked hard to reduce our emissions from engine testing, but our customer requirements for demonstrating product safety through testing are actually increasing. Continued transition assistance under the Cap and Trade program is essential to ensure that our unique, California based business, can meet customer expectations and remain competitive in a global market place.

Thank you in advance for considering these comments. Please contact myself or Nadine Spertus for further discussion.

Sincerely,

A handwritten signature in cursive script that reads "Colleen A. Klaiber".

Colleen Klaiber
Director, Environmental Affairs
Solar Turbines
619 544-5126

cc. Supervisor Ron Roberts