

COALITION FOR SUSTAINABLE CEMENT MANUFACTURING & ENVIRONMENT
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February 20, 2014

Ms. Mihoyo Fuji
California Air Resources Board
1001 "I" Street
Post Office Box 2815
Sacramento, California 95814

Subject: **Comments related to CARB's February 5, 2014 Workshop on Development of a Border Carbon Adjustment for the Cement Sector**

Dear Ms. Fuji:

The Coalition for Sustainable Cement Manufacturing and Environment ("CSCME"), a coalition of all six cement manufacturers in California,¹ provides these comments on the development of a border carbon adjustment ("BCA") for cement by the California Air Resources Board ("CARB"). As CARB has recognized, the cement sector is particularly well-suited to be the first industry for which it develops and applies a BCA. CSCME appreciates the resources that CARB has already devoted to this project, including the development of its presentation for the February 5 workshop that set forth many of the important issues that will need to be addressed in the development of a BCA for cement. CSCME intends to provide more detailed input on technical issues as this process moves forward.

CARB staff noted during its recent workshop that Resolution 10-42 directed CARB staff to review issues related to developing a border adjustment for cement.² CARB staff also observed that cement is a logical first sector for consideration of a BCA because it is in the high leakage risk category and is a homogenous product with limited imports of downstream products and a relatively small number of additional points of regulation.³

Several factors contribute to the California cement industry's high leakage risk. These factors include the extremely high greenhouse gas ("GHG") intensity of cement production, which is far higher than that of all other industries. In addition, California cement manufacturers have few if any available GHG abatement opportunities remaining. California cement producers are also highly trade exposed because cement is a commodity product and there are several deep-water ports in California through which

¹ The Coalition includes CalPortland Company, Cemex, Inc., Lehigh Southwest Cement Company, Mitsubishi Cement Corporation, National Cement Company of California Inc., and Texas Industries, Inc. There are ten cement plants located in California, eight of which are currently operating in the aftermath of the recent recession and uneven economic recovery.

² See CARB presentation, *California Cap-and-Trade Program: Potential Border Carbon Adjustment for the Cement Sector* (February 5, 2014) ("CARB Presentation") at 4. See also CARB Resolution 10-42 (Dec. 16, 2010) at 4, 11.

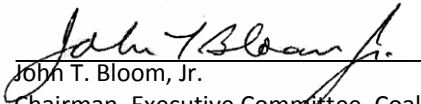
³ See CARB Presentation at 4.

cement historically has been imported from Asia in large quantities. Minimizing emissions leakage that would be likely absent an effective BCA for the cement sector is consistent with AB 32's overall objective of reducing GHG emissions and is explicitly addressed by AB 32.⁴

CSCME considers that the overarching objective of this process is to ensure that all cement sold in California faces comparable compliance obligations under AB 32. This principle of comparable treatment should guide CARB's work on all aspects of the BCA for cement, including its scope, stringency, and all specific aspects of program design.

A BCA for cement is necessary in order to minimize emissions leakage resulting from compliance obligations that California cement manufacturers face under AB 32. CSCME appreciates CARB's attention to this issue and looks forward to assisting CARB as it continues this important work. In order to prevent emissions leakage and achieve California's climate change objectives, all cement sold in California should face comparable compliance obligations under AB 32. Implementation of an effective BCA for cement is instrumental in achieving this goal.

Sincerely yours,



John T. Bloom, Jr.

Chairman, Executive Committee, Coalition for Sustainable Cement Manufacturing & Environment
Vice President & Chief Economist, U.S. Operations, Cemex

⁴ See Health & Safety Code § 38562(b)(8).