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California Air Resources Board
1001 "I" Street
Sacramento, CA, 95812

Subject: Qualcomm comments on the Proposed Amendments to the Cap-and-Trade Program Released September 4, 2013

Qualcomm would like to thank the California Air Resources Board (CARB) for this opportunity to comment on the Proposed Adjustments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms.

Qualcomm has a strong track record in helping the State reduce greenhouse gas (GHG) emissions as an early adopter of energy efficiency and Combined Heat and Power (CHP) since 1995. These include early investments in highly efficient lighting, HVAC, renewable energy, LEED Certified building construction, and of course CHP. Qualcomm was also a founding member of the California Climate Action Registry and has been recognized as a "Climate Action Leader" for voluntarily reporting and obtaining third party verification of our GHG emissions since 2002.

Our CHP processes utilize natural gas, which in turn generates electricity for our on-site usage and also generates waste heat which is further processed through our absorption chillers to provide industrial cooling water (for air conditioning of our labs, offices and data centers), as well as domestic hot water. This very efficient combined heat and power process reduces the need for additional cooling equipment and its associated energy usage, and has been recognized on both federal and state levels for its contributions to permanently reducing greenhouse gases.

Also, we took early action beginning in January 2010 to purchase 20 percent renewable power for our San Diego facilities under the State's Renewable Portfolio Standard (RPS) program, well ahead of the local utility company's timeline for meeting those renewable objectives.

Qualcomm requests that our early actions in energy efficiency and CHP investments leading to permanent greenhouse gas reductions, as well as our RPS investments be recognized by CARB. We seek to be treated on a level playing field with other entities who have received allowances beyond 2015 to help the state meet its cap-and-trade implementation goals.

Below are Qualcomm's comments related to the "But For" Combined Heat and Power (CHP) Facilities and are consistent with our previous comments in response to the staff discussion draft and workshop.

1. Application for "Qualified Thermal Output" Exemption (Section 95852(j)1 and 4).
Qualcomm believes an application process is not necessary for the exemption because CARB would already have this data, either from previous submissions, or from current

(2013) estimates provided by CHP facilities. The draft language in this section is too vague and does not state what the process is to apply for an exemption, nor does it address how long it would take CARB to grant the exemption. Our main concern is that a drawn out application, review and approval process may force us to have to unnecessarily incur significant costs to purchase allowances in order to meet the current CARB requirements, while waiting for CARB to grant the exemption.

2. Transition Assistance for the Second and Third Compliance Periods (2015 – 2020).

Many entities will receive transition assistance in the first, second and third compliance periods. Board staff have argued that providing entities such as Qualcomm with free allowances after 2015 would put Qualcomm at a competitive advantage by lowering their carbon costs relative to other covered entities. Qualcomm feels that the opposite is true.

Generators of electricity are expected to pass their compliance cost to the utilities purchasing their power under the Board's regulations. While these generators do not receive an allowance allocation to mitigate this additional cost, the utilities that they sell to do. These electric utilities are allowed to use their allowance value to mitigate the increased carbon costs that their customers would otherwise face via rate increases. The power that Qualcomm's CHP facilities generate on-site is used on-site, not sold back to the grid. As such, without transition assistance after 2015, Qualcomm will be forced to absorb its carbon costs while other generators can pass these costs to their customers, and the utilities are given allowances to mitigate carbon costs that are passed to their ratepayers.

At the same time, the Board's regulations force Qualcomm and other "but for" entities to pay a relatively higher cost per ton of carbon emitted than other covered entities. Other industrial covered entities will continue to receive some free allowances from the Board after 2015, thus only having to purchase a portion of the allowances needed to meet their compliance obligation. Qualcomm and other "but for" entities must purchase every allowance needed to fulfill their compliance obligation. In summary, while other industrial entities must only pay for some of their emissions, Qualcomm and other "but for" entities are being asked to pay for every single ton of GHG emitted.

Qualcomm believes a more equitable solution has been struck for "but for" entities who are also public universities. These entities will be given allowances based on a formula in the proposed regulatory amendments. Qualcomm does not agree that a separate solution should be applied to similar covered entities.

The Cap-and-Trade program is designed to recognize and compensate covered entities for their early action. Qualcomm's early use of CHP allowed it to generate its own energy more efficiently, thus offsetting the need to use less efficient and more carbon intensive energy from the grid. By choosing not to provide "but for" entities like Qualcomm with transition assistance after 2015, the Board is creating a perverse incentive for Qualcomm and other entities to reduce or discontinue its use of CHP entirely, thus increasing GHG emissions. As such we urge the Board to take action to provide equitable treatment to "but for" entities like Qualcomm by providing them with transition assistance in the form of free allowances after 2015.

End of Comments