



MICHAEL SHAW
VICE PRESIDENT, GOVERNMENT RELATIONS

April 28, 2017

Ms. Mary Nichols
Chair
California Air Resources Board
1001 I Street
Sacramento, California 95814

RE: California Manufacturers & Technology Association (CMTA) Comments on the California Cap on Greenhouse Gas Emission and Market-based Compliance Mechanisms Regulation (April 13, 2017) Second 15-Day Comment Period

Dear Chair Nichols,

The California Manufacturers & Technology Association (CMTA) respectfully submits the following comments in response to proposed amendments to the Air Resources Board (ARB) *California Cap on Greenhouse Gas Emission and Market-based Compliance Mechanisms Regulation (Cap and Trade)* based on the Second 15-Day amendment released April 23, 2017.

CMTA works to improve and enhance a strong business climate for California's 30,000 manufacturing, processing and technology based companies. Since 1918, CMTA has worked with state government to develop balanced laws, effective regulations and sound public policies to stimulate economic growth and create new jobs while safeguarding the state's environmental resources. CMTA represents 400 businesses from the entire manufacturing community -- an economic sector that generates more than \$230 billion every year and employs more than 1.2 million Californians.

CMTA believes that a well-designed cap and trade is the most cost-effective method for achieving GHG emissions reductions while limiting the impact to California's economy. Enabling companies to choose the most economical method for reducing emissions will limit the negative effects of imposing the compliance costs on California manufacturers when no other competitive market also imposes such costs on their manufacturers.

The Global Warming Solutions Act of 2006 (AB 32) and Senate Bill 32 (2016), require ARB to seek to limit the leakage of emissions out of California in its implementation of GHG reduction regulations, including the market-based mechanism. CMTA appreciates that ARB staff deleted the proposed reductions in the assistance factors for the post-2020 period in the Second 15-Day Amendment. While the amendment leaves in place a reduction in assistance factors for the Third Compliance Period (2018-2020), placing manufacturers at greater leakage risk, further reductions would have created far more pressure to relocate production out of California leading to additional emissions leakage

Maintain Industry Assistance at 100 percent

CMTA continues to recommend that ARB maintain industry assistance at 90 percent through the Third Compliance Period and post-2020 for all industry sectors. This change would delete the planned drops for medium and low leakage risk categories to 75 and 50-percent and beyond resulting in greater protection against emission leakage and job loss.

It is important to note that this is not necessary to meet California's AB 32 (2006) goals or those established under SB 32 (2016).

California manufacturers support the development of a well-designed cap and trade program to provide a cost-effective mechanism for reducing GHG emissions.

If you have further questions, please contact me at mshaw@cmta.net or (916) 498-3328.

Sincerely,



Michael Shaw