



October 22, 2018

California Air Resources Board
1001 I Street
Sacramento, California 95814

RE: Proposed Amendments to California Cap-and-Trade Regulations

Lhoist North America of Arizona, Inc. (Lhoist) welcomes the opportunity to comment on the California Air Resources Board (CARB) proposed September 4, 2018 amendments to the Cap-and-Trade Regulations, 17 Cal. Code Regs. § 95800 *et seq.* (Regulations).

Lhoist is a world leading producer of lime, dolime and mineral products and currently operates the Natividad Plant, a dolime production facility in Salinas, California. As of 2018, Lhoist remains the only lime manufacturer in California and consistently represents less than 0.025% of the Cap-and-Trade Programs covered emissions.¹ CARB has appropriately categorized our operations in the current and proposed Regulations as highly emissions intensive, with a high proportion of process emissions, and exposed to high leakage risk. Still, Lhoist cannot stress enough the ongoing competitiveness and global pressures faced by our business, especially as the standalone dolime manufacturer in the state. For this reason, Lhoist appreciates CARB's committed engagement with industry stakeholders and provides the following feedback and clarifications for CARB's consideration:

1. **Allocation benchmarks must continue to be representative of the emissions intensity of each distinct production activity.** Lhoist acknowledges that lime manufacturing was added as a general activity to Table 8-1 of the proposed Regulations. For clarity, lime manufacturing refers to production of calcium oxide (high calcium lime), whereas dolime manufacturing refers to a mix of calcium and magnesium oxide production. Lhoist welcomes the addition of lime manufacturing under Table 8-1 for accommodating potential new high calcium (hical) lime production entrants to California and strongly defends CARB's initial rationale² to have two separate product output metrics for dolime and hical lime production activities under the Lime Manufacturing NAICS 327420. The chemical reaction and calcining processes are different for hical lime and dolime manufacturing and therefore require distinct benchmarks. A new benchmark for hical lime manufacturing will need to be added to Table 9-1, if a hical lime producer enters California. This treatment aligns with other carbon pricing jurisdictions, including Canada's recently proposed draft regulations, which have adopted separate benchmarks for hical lime and dolime products.
2. **The definition of Direct Environmental Benefits (DEBS) should be clarified.** Lhoist supports the usage of California carbon offsets (Offsets). Offsets help California incentivize and deliver on real, quantifiable, permanent, verifiable and additional GHG reductions. Although Lhoist is disappointed by the reduction in Offset usage limits, we strongly encourage the continued use and

¹ Based on 2011-2016 emissions reported under California's Regulation for the Mandatory Reporting of Greenhouse Gas Emissions.

² Refer to Appendix J of the [2010 Cap and Trade Regulations](#)

access for Offsets in the program and recommend the **timely determination and clarification on DEBS eligibility** to provide clarity and certainty of eligible Offset supply for covered entities.

3. **Price containment points should not be biased towards the price ceiling level.** As a facility in a high leakage risk sector, Lhoist supports the use of price containment triggers to mitigate market volatility and to provide early pricing signals for escalating allowance costs. Current proposed trigger points are set at half and three-fourths of the distance between the Auction Reserve Price and price ceiling. Lhoist recommends setting these “speed bumps” at equal distances between the floor and ceiling price. Additionally, allocating more allowances to the first “speed bump” will further mitigate pricing volatility as the prices escalate in future years of the Cap-and-Trade Program.

Lhoist supports CARB’s ongoing efforts to engage with industry in the development of its proposed Regulations. Please do not hesitate to reach out if you have any questions about our provided feedback.

Sincerely,

A handwritten signature in black ink, appearing to read 'JA', with a long horizontal stroke extending to the right.

Justin Andrews
Regional Environmental Manager (West)