September 19th, 2016

California Air Resources Board
1001 I Street
Sacramento, CA 95814

The Glass Packaging Institute (GPI) provides the following comments to the August 2nd, 2016 CARB issued *Initial Statement of Reasons (ISOR) to the California Cap on Greenhouse Gas Emissions and Market Based Compliance Mechanisms*.

Our comments emphasis the importance of the current "high-risk" classification for the glass container manufacturing industry (NAICS 327213) and need for 100% industry assistance for the duration of the Cap and Trade program.

California's glass container manufacturing industry has a well-established record as an Energy-Intensive-Trade-Exposed Industry (EITE). California glass container plants in particular compete with lesser-regulated glass plants across the country, in addition to international glass container production facilities.

We strongly disagree with the assertion made in the ISOR (page 39) that *"imports may decrease foreign production previously directed to serve international demand, rather than a one-for one increase in foreign production."* **Glass container imports represent additional glass containers being manufactured in less regulated countries - directly offsetting and supplementing California glass container production. These containers would not be manufactured without the opportunity presented to offset California production.**

As highlighted in the May 16, 2016 Final Report to CARB on Employment and Output Leakage under California's Cap-and-Trade Program, "*an increase in California energy prices relative to prices in nearby regions will raise production costs in energy-intensive industries located in California and likely result in short-term (one year) losses in output, employment, and value added for those industries.*"

The Report (p. 16) clearly states that no EITE industry participant is impacted more by leakage than glass container manufacturing, who are anticipated to lose significantly in terms of output (17.10%) and jobs (13.31%). These losses will only be exacerbated by future increases in the cost of energy.

According to data collected by the US International Trade Commission (ITC) 2.1 billion additional containers were imported into the US in 2015, than in 2008. **Nationally, imports of glass containers have increased 3-5% annually since 2008.**

California and the broader US glass container industry have been competing with a consistent and significant increase of imported bottles and jars for food and beverages over the past several years**. Analysis of 2015 glass container import data provided by the ITC found that on average, 28% of California glass customers purchased imported containers.** This is more than double the national average (13%) of imported glass container purchases by customers.

The majority of these imports are wine bottles, heading in through the West Coast ports, and competing directly with wine bottle manufacturing in California and similar plants in nearby states.

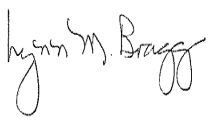
Sustaining and working to increase our already high levels of recycled glass use at our plants is the primary method of energy saving technology. For our industry, cullet usage represents additional "energy savings" at our plants. Due to the substitution of recycled glass for raw materials, the container glass manufacturers in California have been able to reduce their carbonate-based CO_2 emissions to approximately 25% of the total CO_2 emissions.

The high-risk classification, and continuing maximum industry assistance is critical to the future of California's glass container manufacturing operations. It provides needed assistance and protects California glass plants from competitive advantages that similar plants in other countries and states currently enjoy.

Due to ongoing and future challenges (outlined above) to the California glass container industry, we request 100% industry assistance for the duration of the Cap and Trade program.

Thank you for your thoughtful consideration of our comments.

Sincerely,



Lynn M. Bragg
President