**ELECTRONIC SUBMISSION**

October 22, 2018

Clerk of the Board

California Air Resources Board

1001 I Street

Sacramento, CA 95814

RE: NAIMA’s Comments on California Air Resources Board’s Notice of Pubic Hearing to Consider Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation

To Whom It May Concern:

INTRODUCTION

The North American Insulation Manufacturers Association (“NAIMA”) appreciates the opportunity to submit comments on the California Air Resources Board’s (“CARB”) Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation.  NAIMA is the trade association for North American manufacturers of fiber glass, rock wool, and slag wool insulation products.  NAIMA shares a common goal with CARB in that the Association promotes energy efficiency and environmental preservation through the use of energy efficiency.  NAIMA specifically promotes energy efficiency and pollution reduction through the use of fiber glass, rock wool, and slag wool insulation products.

NAIMA’s comments strongly support the proposed amendments that revise Table 8-1 to set assistance factors for all sectors at 100 percent for the period 2021 to 2030 in order to comply with AB 398’s direction to “[s]et industry assistance factors for allowance allocation commencing in 2021 at the levels applicable in the compliance period of 2015 to 2017 i.e., 100 percent inclusive.”  NAIMA also supports the regulatory amendments to  provide a quantity of allocation, for the purposes of minimizing emissions leakage, to industrial entities for 2018 through 2020 by using the same assistance factors in place for 2013 through 2017 [100 percent].”  NAIMA does not provide comments on the specific amendments that are described in detail in Chapter II of the “Staff Report: Initial Statement of Reasons for Rulemaking – Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation.”  These other amendments do not impact directly NAIMA’s members ability to manufacture products in the State of California.

Making fiber glass insulation takes energy.  That energy, however, produces products that are designed to save energy and, by so doing, to also reduce greenhouse gas emissions.  These industry assistance factors then actually help to achieve the long-term goal of CARB’s Cp & Trade Program.  Furthermore, sustainability is also about economic prosperity, too.  Preserving the manufacturing base in California is good business, and when the products being produced help to reduce greenhouse gas emissions, that is even wiser to protect and preserve that capacity.  These assistance factors are enabling fiber glass plants to remain in California.  An important part of this is to encourage the use of energy efficiency-based carbon offsets, which would not only help businesses in the cap-and-trade system reduce their compliance costs, such efficiency-based offsets would also, as explained in more detail below, have many sought-after co-benefits such as improvements in public health, increased health and safety of building and home occupants, increased home value, and reductions in other pollutants beyond greenhouse gas emissions.  In short, NAIMA requests that CARB make NAIMA members’ California plants part of the solution and not unfairly chase fiber glass insulation production to nearby out-of-state plants employing out-of-state workers.

CAP-AND-TRADE WILL IMPACT FIBER GLASS INDUSTRY

This Proposal is particularly relevant to NAIMA and its members because NAIMA’s members have four (4) manufacturing plants located in California:

* CertainTeed – Chowchilla, California
* Johns Manville – Willows, California
* Knauf Insulation – Shasta Lake, California
* Owens Corning – Santa Clara, California

In addition, virtually all of NAIMA’s members’ products are used or sold in California.  More importantly, NAIMA’s members provide important manufacturing jobs to the California economy.  Specifically, Owens Corning operates a fiber glass building materials manufacturing facility in Santa Clara.  According to public sources, Owens Corning’s Santa Clara facility employs an estimated 250 – 499 employees ([www.manta.com/c/mmcntlv/owens-corning-sales-inc](http://www.manta.com/c/mmcntlv/owens-corning-sales-inc)).  Johns Manville operates a fiber glass manufacturing facility in Willows, California.  According to public sources, Johns Manville’s Willows facility employs between 250 and 499 employees and generates annual revenue of $100 to $500 million ([www.manta.com/c/mmcckzn/johns-manville-corp](http://www.manta.com/c/mmcckzn/johns-manville-corp)).  CertainTeed Corporation operates a fiber glass manufacturing facility in Chowchilla, California.  According to public sources, CertainTeed’s Chowchilla facility employs between 250 and 499 employees and generates annual revenue of $50 to $100 million ([www.manta.com/c/mmjhsbb/certain-teed-corp](http://www.manta.com/c/mmjhsbb/certain-teed-corp)).  Knauf Insulation operates a fiber glass manufacturing facility in Shasta Lake, California.  According to public sources, Knauf’s Shasta Lake facility employs between 100 and 249 employees and generates annual revenue of $50 to $100 million ([www.manta.com/c/mm0tt3b/knauf-fiberglass](http://www.manta.com/c/mm0tt3b/knauf-fiberglass)).

California is losing manufacturing jobs – in both traditional and high-tech industries – to other states and nations.  One of the key reasons for this exodus from California is the State’s existing regulatory requirements and concerns about the future regulatory climate.[[1]](#footnote-1) California’s regulatory environment is challenging, time-consuming, complex, duplicative, and costly.

CARB’s Cap-and-Trade Program seeks to prevent industry from leaving the State of California by creating assistance factors and allowances. This approach is prudent because the production of fiber glass insulation in California can be shifted to other manufacturing facilities in other states near California borders, Canada, and Mexico.

Fiber glass insulation is an important contributor to the California economy, through direct manufacturing, shipment of finished product to markets within California and other western states, and export of product to foreign markets.  It also supports the insulation industry and installers, is a critical material for the construction industry, and a much-used material for do-it-yourself consumers.  In addition, fiber glass insulation promotes energy efficiency, environmental preservation, and reduces pollutants, including greenhouse gases.  Fiber glass is also the most thoroughly tested and researched insulation product on the market.  It is the preferred product for more than 80 percent of the insulation market.  If fiber glass insulation would not be available, the supplies of alternative insulating materials would not be sufficient to supply the demands of the market.  Raising the cost of insulation products by raising the costs of doing business for fiber glass insulation manufacturers or by artificially reducing the supply of available insulating materials will reduce the ability of the State to meet its greenhouse gas emission reduction goals.

In previous comments, NAIMA has effectively illustrated this ability to shift manufacturing from California to other nearby locations by referencing the configuration of fiber glass manufacturing plants.

NAIMA respectfully requests CARB recognize that if the California fiber glass operations are not economically viable as a result of AB 32 and the Proposed Amendments, some of NAIMA’s California members might close their plants or significantly reduce capacity. The fiber glass insulation production capacity in other jurisdictions will be able to adequately supply the California market, thereby increasing emissions in those jurisdictions and overall greenhouse gas concentrations, including in California.

Any demand previously fulfilled by a California plant can be easily and economically supplied from other U.S. plants were production costs to change significantly. This industry does not have to look to offshore facilities to supply the California market. In addition to the increase in greenhouse gas emissions per ton of fiber glass insulation produced at these plants located outside California, the transportation needed to get that material to California markets would have a further negative impact on greenhouse gas emissions.

NAIMA again points out two manufacturing plants right at California’s border in Arizona. An additional plant in Utah also could relatively easily take up the work of supplying the California market. There are also four insulation manufacturing plants in Western Canada.

The fiber glass insulation plants in the states bordering California are far more relevant to assessing the potential for leakage in this industry than 20 plants in Europe or 10 plants in Asia. If CARB is serious about preventing leakage from the State of California, it must carefully weigh the manufacturing potential of U.S. fiber glass and mineral wool insulation manufacturers. The presence of those 40-plus plants is the most effective argument for giving fiber glass plants 100 percent assistance factors for the third compliance period and beyond 2020.[[2]](#footnote-2)

CONCLUSION

NAIMA strongly supports CARB’s proposed amendments to retain the original 100 percent assistance factor for the third phase of CARB’s Cap-and-Trade Program and to assign a 100 percent assistance factor for 2020 and beyond.

Sincerely,

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Angus E. Crane

Executive Vice President, General Counsel

1. Ross C. Devol, Perry Wong, Armen Bedroussian, Candice Flor Hynek, and David Rice, “Manufacturing 2.0: A More Prosperous California,” Milken Institute, June 2009, p. 9. [↑](#footnote-ref-1)
2. It is acknowledged that not all of these plants could produce the specific products being currently manufactured in the California plants. [↑](#footnote-ref-2)