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September 19, 2016

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments Regarding Amendments to the California Cap on Greenhouse Gas Emissions and Market-based Compliance Mechanisms Regulation

Submitted electronically via:

https://www.arb.ca.gov/lispub/comm/bcsubform.php?listname=capandtrade16&comm_period=A

Air Resources Board:

Air Products is a global, Fortune 250 company that supplies atmospheric, process, medical and specialty gases, specialty chemicals and process equipment serving a diverse range of industries, including primary metals, refining, electronics, food and glass sectors, as well as healthcare and many other general manufacturing industries. Air Products has over 400 employees and 30 locations in California, including numerous atmospheric gases (oxygen/nitrogen/argon) and hydrogen production facilities, electronic specialty gases and materials production and electricity generating facilities. In addition, Air Products has designed, installed, and supplies a fleet of hydrogen fueling stations across California, facilitating the transition to carbon-free transportation.

Air Products welcomes the opportunity to submit comments regarding the proposed amendments to the cap and trade regulations. Over the course of the last several years, Air Products has worked very constructively with ARB staff and are pleased with the consideration given our concerns and recommendations. We look forward to a continued working partnership with ARB staff to ensure the effective development of future program changes.

DISCUSSION of COMMENTS:

- 1. Changes anticipated to the post-2020 Assistance Factors for industrial allocations will be proposed under a 15-day comment period.***
 - Air Products feels this rulemaking process will not provide adequate time for impacted entities to fully assess the basis for the proposed change and develop a comprehensive response for agency consideration. Such changes may have a material financial impact and deserve adequate time to be reviewed and provide comments on.*

2. *Revision to the Assistance Factors for industrial allocations expects to eliminate the “transition assistance” portion beginning in 2021 while retaining the “leakage assistance” portion.*

- *Air Products cannot effectively assess the impact of this proposed change in Assistance Factors, since the “transition assistance” portion of the current Assistance Factor for our sector has not been clearly differentiated from the overall factor. ARB should provide more background data before making such a change.*

3. *Change of Compliance Periods to comply with the Federal Clean Power Plan (CPP)*

- *Air Products understands the need to develop a compliance plan that can be approved by US EPA to satisfy the CPP “interim compliance steps”, but shortening the Compliance Periods to two years for all covered entities creates an additional burden on sectors not engaged in electricity generation. Air Products asks ARB to consider alternatives, including:*
 - i. Retain the current 3-year compliance period interval (which will align with Ontario’s cap and trade program) and negotiate with US EPA on an alternative compliance schedule that satisfies the CPP program intent.*
 - ii. Only impose the new Compliance Periods on the electricity generation sector*
 - iii. Allow for a transition into the new, shorter periods – specifically, define the Compliance periods as:*
 - *The fourth compliance period defined as a 4-year period, January 1, 2021 through December 31, 2024 (aligns with the first CPP interim step),*
 - *The fifth compliance period defined as a 3-year period, January 2025 through December 31, 2027,*
 - *The sixth compliance period as a 2-year period, January 1, 2028 through December 31, 2029, and*
 - *Subsequent compliance periods continue every two-years, thereafter.*

4. *Allocation of allowances for Purchased Electricity*

- *Air Products supports the revision of the product-based benchmarks to take into account the emission footprint of the electricity required in the production process. We agree this is a more transparent method to ensure the value of the allowances allocated to the distribution utilities is returned to large electricity consumers, particularly those which experience material leakage risk. Air Products encourages ARB to ensure the proper electricity consumption data is included for ALL producers of a product, including electricity supplied through customer/supplier relationships, when developing the additional benchmark component. Even more so that the discussion regarding proposed changes to the Assistance Factors noted above, changes to the benchmark values are fundamental to the competitiveness of industrial suppliers. ARB should engage in robust stakeholder engagement and not rely upon a 15-day comment period for such impactful rulemaking.*

5. *Simplifying the process for switch between PAR and AAR*

- *Air Products supports the proposed simplification of the process for switching PARs and AARs, foregoing the requirement for signed attestations.*

Air Products appreciates the diligent efforts by ARB staff and we stand ready to provide further information to support board's refinement of the cap and trade program. Please feel free to contact me by phone (610-909-7313) or email adamskb@airproducts.com).

Respectfully,

A handwritten signature in black ink that reads "Keith Adams, P.E.".

Keith Adams, P.E.
Environmental Manager – Climate Change Programs

c: Eric Guter, Peter Snyder, Raymond Bailey – Air Products