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**Air Products and Chemicals, Inc.**  
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November 4, 2016

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

RE: Comments Regarding the October 21, 2016 Cap and Trade Regulation Amendments Workshop  
Submitted electronically via:

[https://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=ct-amendments-  
ws&comm\\_period=1](https://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=ct-amendments-<br/>ws&comm_period=1)

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. Considering a reduction in the offset usage limit of 8%***

- *Air Products does not support a reduction in the offset usage limit. Already, the 8% limit constrains an important mechanism to reduce the cost of compliance, in line with a market based cap and trade system. California has the most rigorous process for vetting offset protocol and offset credits, once issued. These offsets provide a critical opportunity to obtain genuine emissions reduction at the lowest cost to the economy. No further reduction in the 8% usage limit should be made.*

**2. *Considering a change in the basis for industrial allowance allocations***

- *Air Products does not support a change to an industrial allowance allocation process which is based upon “cost burden” approach. Admittedly, at this stage, there is insufficient information to know understand what ARB is specifically considering, but the general concept that there could be differential cost burdens based on a facility’s (or sector’s) ability to make actual year-on-year emission reductions. Any such approach would need to recognize the limitations imposed by production processes with a) significant process emissions which are essentially irreducible and, b) a very high energy intensity which has resulted in a long and deep effort to make all feasible efficiency improvements. Air Products recommends ARB not make any changes without a more comprehensive engagement with the regulated community where the underlying*

**3. *Disclosure of entity/facility-level compliance instrument use.***

- *Air Products is concerned that the proposals to expand the disclosure of entity- or facility-specific compliance satisfaction methods provides an insight into our compliance instrument procurement strategy that is currently restricted to prevent market manipulation risks. Air Products does not support disclosure at either the entity or facility level, and even has reservations about disclosures at the product or sector-level.*

**4. *Assistance Factor Certainty***

- *ARB presentation of these amendments appeared to have the intent of applying across the entirety of the 2012 to 2030 period... but that was not explicitly stated as it related to the revised Assistance Factors for Industrial Allowance Allocations. In order to provide the certainty that industry needs to effectively manage commercial and investment decisions, ARB should clearly articulate that the proposed factors will apply for the entire 2021 through 2030 period.*

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](mailto:adamskb@airproducts.com)).

Respectfully,

*Keith Adams, P.E.*

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

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