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June 12, 2015

Ms. Marcelle Surovik

Energy Section

Industrial Strategies Division

California Air Resources Board

1001 I Street

Sacramento, CA 95812

**RE: CARB Short-Lived Climate Pollutant Reduction (SLCP) Strategy Concept Paper**

Dear Ms. Surovik:

Illinois Tool Works Inc. (“ITW”) is a U.S. manufacturer of a variety of value-added commercial and industrial-use products, components and systems. ITW greatly appreciates the opportunity to provide comments to the Air Resources Board’s Short-Lived Climate Pollutant Reduction (SLCP) Strategy Concept Paper of May 7, 2015.

ITW is a Fortune 200 company operating 89 divisions globally, including over 300 California residents through a diverse portfolio of businesses encompassing commercial foodservice equipment, automotive aftermarket and emergency roadside service products, and welding equipment. ITW further has hundreds of additional US business operations making and selling products into California through countless commerce channels.

Our company’s growth and future rely on a healthy planet and sustainable practices. To that end, ITW believes environmental responsibility and sustainability generally merit ongoing evaluation and continuous improvement. Yet, in recent history we have witnessed many examples where these shared objectives were left unfulfilled by poorly executed policy. We recognize and appreciate CARB’s stakeholder engagement; we hope that it will model what the US-Canada Regulatory Cooperation Council expressed in its 2011 Joint Action Plan: “There is an opportunity for regulators to work more closely *with the aim of better synchronizing implementation of regulations* and leveraging existing expertise” (emphasis added).

1. **Stakeholder Engagement for the Proceeding**

During the May 27, 2015, public meeting presentation, CARB staff expressed a desire to find “simple solutions” to achieve the objectives of the Plan. We agree that needless complexity is to be avoided whenever possible. However, in the case of manufactured finished goods, ITW finds that it is impossible to avoid complexity with much of what we make.

For example, products throughout ITW’s Food Equipment Group (FEG) are highly engineered and often manufactured to meet specific customer needs. In some businesses, such as Traulsen Refrigeration, a significant portion of their product offerings is highly customizable – if not altogether customized – for specific end-users. It is for products like these where ITW is facing great trouble from ill conceived and implemented regulatory proposals that presume refrigerators are substantially similar because they share functionalities. Just the opposite is true.

As one of the largest commercial refrigeration product manufacturers, Traulsen’s product scope exceeds 500 basic products with refrigeration and/or freezing capabilities; and each has distinct – and collectively disparate - timelines to which any changes can result in a new market iteration. A similar story is true throughout ITW FEG’s US businesses. Multiply that impact by the hundreds of Traulsen peer competitors nationwide and it quickly becomes clear the incredible amount of due diligence and stakeholder collaboration necessary to correctly promulgate industry-wide changes.

1. HFC reduction

The Concept Plan reiterates the goal of HFC reduction statewide, and specifies an 80 percent “phase-down [of] HFC production and import . . . by 2030” objective that aligns with regional and global commitments under the Montreal Protocol (Strategy Concept Paper at page 27). This provision goes on to espouse further HFC reductions in California alone “as quickly as possible.” ITW is aware that the May 27 public meeting outlined the Board’s broad vision, expecting to create a working outline in its upcoming Draft Strategy. We would strongly encourage the Board to craft its Draft Strategy so as not to further complicate already disparate compliance proposals for HFC reduction in North America and the European Union (EU).

As you know, the US EPA, EU and Canada have all introduced (or finalized in the EU’s case) F-gas reduction proposals applying a range of compliance dates according to product categories or indexed to specific chemical global warming potential (GWP) values. We offer two observations on these approaches.

First, there is discordance among the proposals about product categories. For example, within commercial refrigeration, the EPA’s stakeholder discussions and pending HFC regulation propose compliance dates to categories of “stand alone” commercial products. However, across the commercial refrigeration product manufacturing industry, a unit that “stands alone” can vary widely in size, function, engineering, component content and, ultimately, refrigerant and foam / foam blowing agent usage. ITW and other companies in our space repeatedly shared this industry insight and caution with EPA so as to promote uniformity and prevent confusion in how the Agency’s rule would ultimately be written. Nevertheless, once published, the rule proceeded to preserve “stand alone” language that raises questions. Second, EPA has – like CARB – recognized its efforts to reduce HFCs are shaped by the US’ participation in the Montreal Protocol. In that vein, the EPA’s proposed rule calls for a new product manufacture compliance date of January 1, 2016. Interestingly, its rule and this date were not officially revealed publicly until August 6, 2014. At most, the rule would allow less than 18 months from first proposal – and currently seven months - which is woefully inadequate to re-engineer complex, large-scale refrigeration products and does not give manufacturers the certainty needed to begin making products accounting for how the rule will look in its final form. Yet, at its “simplest” look, policymakers argued that EPA’s “publicly discussing” its intentions should have provided signal enough to conduct all activities needed to comply in time. ITW counters, however, that the EPA HFC restrictions rule prompted several thousand written comments, the disproportionate number of which came from manufacturers excoriating the Agency for short-sighting industry’s needs for an effective and thorough product transition away from HFC use.

In addition to EPA-proposed compliance are offerings from the Canada and the EU, which provide compliance dates of 2019 (Canada proposed), 2020 (EU final – refrigerant use) and 2022 (EU final – foam use) for self-contained (in industry parlance), or “stand alone,” commercial refrigeration. On the one hand, ITW welcomes the more reasonable compliance dates offered under these rules. What the texts alone do not fully reflect, though, is the difference in approaches among the three regulations.

The EU’s F-gas directive was finalized after at least seven years of active and collaborative work among all stakeholders – government, manufacturers, other industry, and advocates. Moreover, the EU’s approach began even earlier, in the early 2000s, to first examine the volume of presence of HFCs broadly in the marketplace, then to institute regulations to stem leakage in marketplace equipment – all of which preceded attempts to reduce/remove HFCs from use in the marketplace. Thus, the EU’s collaborative and progressive policy advancement not only promotes stakeholder goal ownership, but also is proven to be effective given the relative ease with which the F-gas directive has been adopted and manufacturers are already in compliance. Finally, European regulators recognize product complexities and transition timelines needed by manufacturers even though the EU’s HFC transition has been under discussions for almost 15 years. Taken together, ITW would note the enhanced chances of success that California and CARB could realize with the proper approach and time taken to pursue HFC reduction goals.

Market readiness/commercial availability

The stand-alone refrigeration industry first became aware of a focus on R134a during an EPA meeting in February 2014. Manufacturers had to rapidly begin talks with refrigerant alternative vendors for test supplies while they re-engineered products to contemplate EPA’s HFC changes. In the year-plus since that EPA stakeholder meeting, there have been widespread reports of alternatives’ shortages from, what seemingly is, a lone developer and supplier of lower-GWP refrigerants and foam blowing agents. In fact, several manufacturers have reported in private and public meetings their difficulties obtaining sample supplies of alternative refrigerants or foam blowing agents to test with prototype products, which directly contradicts some of the comments offered during CARB’s May 27 public meeting by supporters of the state’s HFC reduction objective.

Within the stand-alone refrigeration sector itself, suppliers have conceded that our product marketplace is not ready for a near-term substance transition, as the EPA would dictate, because – among other reasons – there is an abject lack of substitute inventory to serve the majority of our industry. What makes this revelation worse is understanding our sector’s HFC consumption relative to other manufactured goods, such as the motor vehicles and HVAC. So, the calculation many self-contained refrigeration manufacturers currently face – particularly the many small and medium-sized businesses relative to ITW – is the percentage of their product lines, and attendant revenue, jobs and economic development, that would disappear as of the EPA’s 2016 effective date because the alternative refrigerant makers simply cannot supply our industry – much less the broader refrigerant customer base –with adequate supplies under an overly aggressive schedule.

Retrofit for stand alone

In the May 2015 Concept Note, CARB expresses concerns about in-use and end-of-life equipment that may leak refrigerant, thus contributing to California’s F-gas concerns (at page 28). ITW merely would caution that CARB should refine its leakage reduction objective to understand those refrigerant-using products holding greatest risk or actual data to show leakage.

As a general matter “plug-ready” products are manufactured in a single location then shipped for customer use without any need for assembly or additional engineering at a customer site. Stand-alone refrigeration products are plug-ready and, by designed, are “stand alone” because they contain in a singular equipment body all components and requirements to perform, doing so once they are plugged in for use. Think of residential and commercial kitchen refrigerators and freezers are examples. In contrast, refrigeration systems that are larger, such as HVAC or “remote” refrigeration systems (where the refrigerated display is in one location, but it’s engineering system is elsewhere, such as a supermarket rooftop) usually require assembly or engineering once delivered to an end-user site, through which chances to create leakage increase significantly. Thus, it would be important not to think similarly about these refrigeration products because their varying makeups establish vastly different inherent environmental risks.

We also want to ensure CARB knows of the responsible reclamation efforts that occur at the appliance service end. ITW’s Hobart Service provides trained and federally certified on-site and off-site maintenance and service for all ITW customer equipment brands, including Traulsen refrigerator and freezer equipment.

1. Black carbon

ITW notes with interest the SLCP focus on black carbon attributed to commercial cooking. According to the Concept Paper, black carbon emissions remain low under existing air district rules governing commercial cooking and related equipment. ITW’s commercial cooking equipment businesses will gladly provide expertise as helpful to inform CARB’s Strategy development going forward.

In conclusion, ITW appreciates this opportunity to offer comments to CARB’s Concept Paper. We look very forward to participating further as this regulatory effort continues.

Respectfully submitted,

Kevin Washington

Government Affairs

Illinois Tool Works Inc.