

ELECTRONIC SUBMISSION



U.S. Borax Inc.
14486 Borax Road
Boron, CA 93516

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

March 12, 2018

RE: U.S. Borax Inc. Comments on Post-2020 Cap and Trade Amendments

Dear Chair Nichols and Members of the Board,

U.S. Borax, part of Rio Tinto Borates, is pleased to submit the following comments on the California Air Resources Board (CARB)'s Preliminary Discussion Draft on Potential Regulatory Language for Post-2020 Cap and Trade Amendments ("Discussion Draft") and Price Containment Points, Price Ceiling and Allowance Pools Concept Paper ("Concept Paper") issued in February 2018.

U.S. Borax has been an active participant in the Board's efforts to design and implement a cap-and-trade program to address climate change, particularly with respect to provisions intended to minimize the risk of leakage to energy intensive and trade exposed industries operating in California. We continue to support CARB's policy and market leadership on climate change, including the state's efforts to ensure that policy choices are guided by sound economic analysis.

U.S. Borax's comments focus on the Discussion Draft and specifically Assistance Factors.

Introduction

U.S. Borax, a California company since 1872, mines and processes borate ores from one of the world's largest deposits in Boron, California. Current operations are projected to continue in Boron for approximately 40 years. Our products have a significant role in a carbon-constrained world as borates are an important ingredient in insulation fiberglass and are used in textile fiberglass for the blades of wind turbines.

U.S. Borax's operations at Boron produce refined borates from natural borates: non-sodium borates (boric acid, boric oxide) and sodium borates (disodium tetraborate pentahydrate, disodium tetraborate decahydrate, anhydrous borax). U.S. Borax does not sell unrefined borates known as "natural borates" or "borate minerals." About 75 percent of U.S. Borax's products are exported to more than 1,000 customers in 100 countries mostly through the Port



of Los Angeles and the Port of Long Beach. U.S. Borax is one of the top 10 biggest single exporters out of these California ports.

The world's largest borate producers are located in California and Turkey, followed to a much lesser extent located in Argentina, Chile, Bolivia, Peru, Russia and China. While the United States remains a net exporter of borates, U.S. Borax has lost 40 percent of its global share of refined borate sales over the last two decades due to higher labor, energy, and regulatory costs of doing business in California. And, in the U.S. alone, imports of borates, primarily on the east coast, have increased in recent years due to the favorable cost position of Turkish borates over those borate products from California. The Turkish borate producer, a government owned company without any mandatory climate change requirements, is taking a more aggressive approach in the West, directly threatening California producers' positions both in California and in the Western US markets.

The Proposed Assistance Factor for Mining and Manufacturing of Borates Reflects the Risk of Leakage Faced by California Borate Producers.

Consistent with the direction of the Global Warming Solutions Act of 2006, in developing the Cap-and-Trade Regulation, the Board recognized it would need to take steps to minimize the risk of leakage as a result of imposing a carbon price on energy intensive / trade exposed industries operating in California. The Board, in the proposed Discussion Draft, rightly classified U.S. Borax, which reports its greenhouse gas emissions under NAICS Code 212391 (potash, borate and soda ash mineral mining), as at a high risk of leakage and assigned an Assistance Factor ("AF") of 100% for each period listed, including 2021 through 2030.¹ This AF appropriately reflects the leakage risk faced by California borate producers. Anything less than an AF of 100% would adversely affect the ability of California borate producers to compete against international companies whose borate products do not include a carbon cost and will increase the risk of leakage.

If you or your staff have any questions, please let me know. U.S. Borax appreciates the continuing opportunity to work with you and your staff on the cap-and-trade program.

Sincerely,

A handwritten signature in black ink that reads "Nicol Gagstetter".

Nicol Gagstetter
Director External Affairs, Communities and Communications
Rio Tinto Borates
(303) 713-5236

¹ Discussion Draft, Table 8-1, page 23 (February 2018)