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California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: USS-POSCO Industries Comments on 2030 Target Scoping Plan Update Discussion Draft

USS-POSCO Industries (UPI) appreciates this opportunity to provide comments on ARB's 2030 Target Scoping Plan Update Discussion Draft (Scoping Plan Update). UPI operates a steel finishing plant in Pittsburg, California, providing employment for approximately 650 men and women. UPI is subject to California's greenhouse gas (GHG) Cap-and-Trade program and takes its environmental stewardship responsibilities very seriously. UPI believes that California's Cap-and-Trade program has been an effective GHG reduction strategy that can serve as a model for other economies throughout the world. However, portions of the Scoping Plan Update risk obscuring the effectiveness of the Cap-and-Trade program by potentially adding only tangentially-related prescriptive regulations to accomplish ends not specifically related to addressing climate change. This is particularly the case with the recommendations of the Environmental Justice Advisory Committee that focus on criteria pollutants and toxic contaminants because of their site-specific local impacts.[1] Whatever measures California decides to take to continue and advance its guardianship of local air quality, incorporating GHG regulation into the process will muddy the waters and mask the value of the Cap-and-Trade Program. UPI believes that it is important to maintain separation between criteria and toxic pollutant control and GHG reduction.

Another important consideration is potential "GHG leakage" resulting from industrial production being displaced from California due to the cost of GHG compliance. Leakage is a direct result of California's Cap-and-Trade program not affecting industry in other states. To avoid or reduce leakage, certain California industrial facilities that that have Cap-and-Trade compliance obligations and are considered "trade exposed" are allocated GHG allowances to cover a portion of their Cap-and-Trade obligations. This mitigates some of their compliance cost, reducing the risk of leakage. Production that is displaced to facilities outside California would emit the same <u>or probably more GHG</u>. Besides impacting employment and economic activity here in California, leakage would tend to increase overall emissions because the production that moves outside of California and is not subject to GHG regulations would be more likely to have higher

[1] Scoping Plan Update, p. 46 and Appendix D, p. 4.

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overall direct emissions, higher indirect emissions due to electric generation profiles, and could incur increased transportation costs. As part of the highly competitive steel industry, UPI is very concerned that leakage prevention not be neglected in favor of increased revenue through the sale of GHG allowances, as has been informally proposed by ARB staff in the context of possible amendments to the Cap-and-Trade regulation. UPI does not believe that handicapping California's competitive industries provides an effective way to approach the challenge of mitigating climate change.

Similarly, UPI supports the use and growth of GHG emission offsets, which represent real, verified reductions in GHG emissions achieved in areas that are not otherwise obligated to reduce emissions. ARB currently limits use of offsets for Cap-and-Trade compliance to 8 percent of a regulated entity's compliance obligation. The Scoping Plan Update notes that entities currently "have flexibility to choose the lowest-cost approach to achieving program compliance;"[2] including trading offset credits. UPI strongly supports the continuation or even expansion of the level of offsets that can be used for Cap-and-Trade compliance.

Very truly yours,

GOODIN, MACBRIDE,
SQUERI & DAY, LLP

___/s/ *Suzy Hong*___

Suzy Hong

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[2] Scoping Plan Update, p. 45.