September 13, 2016

California Air Resources Board
1001 I Street
Sacramento, CA 95812

Submitted electronically via capandtrade16 Board Item at http://www.arb.ca.gov/lispub/comm/bclist.php

Subject: Additional Comments to the PROPOSED AMENDMENTS TO THE CALIFORNIA CAP ON GREENHOUSE GAS EMISSIONS AND MARKET-BASED COMPLIANCE MECHANISMS REGULATION

Chairman Nichols and Members of the Board:

The Procter & Gamble Manufacturing Company (P&G) appreciates the opportunity to comment on CARB's 2016 Proposed Regulation Amendments with CARB's Initial Statement of Reasons (ISOR) for the Cap-and-Trade Regulation posted on August 2, 2016. P&G has an oleochemicals manufacturing facility in Sacramento.

Procter & Gamble has undertaken comprehensive efforts to address energy and climate change for many years. For example, since 2010 P&G has reduced its energy usage by approximately 15% and in 2015 we announced a new sustainability goal to reduce absolute greenhouse gas emissions of our operations 30% by 2020. Additionally, in October 2015 P&G, in partnership with EDF Renewable Energy, announced plans to build a wind farm that will use 100% wind power to meet P&G's North American Fabric & Home Care plants' electricity demands.[1]

We recognize the considerable effort CARB has invested in developing an effective Cap and Trade regulatory system in the state. We see evidence of this in the following Appendix A provisions which P&G supports as **positive changes:**

Proposed Regulation Amendments – Proposed Regulation Order
California Cap On Greenhouse Gas Emissions And Market-Based Compliance Mechanisms, Appendix A

- As proposed on page 67 of Appendix A – Section 95803, P&G is glad to see the addition of an electronic submission option. This will greatly reduce the logistical burden of account updates for both Entities and ARB staff.

- Similarly, as proposed on page 90 of Appendix A – Section 95832, P&G is glad to see the streamlining of the process to change or swap roles of account representatives (PAR and AAR). This also will greatly reduce the logistical burden of account updates for both Entities and ARB staff.

- As proposed on pages 222-223 of Appendix A – Section 95894, P&G is glad to see the modifications to the Legacy Contract section. In particular, we greatly appreciate the addition of the new 60 day renegotiation eligibility cut-off prior to the application deadline.

[1] Please visit P&G's sustainability website for more information: http://us.pg.com/sustainability/at-a-glance/sustainability-reports.

We commend CARB for these positive revisions in the proposed regulation. However, in the following discussion we identify critical components of the proposed regulation that should be strengthened.

- Section 95894 should be further modified to provide the ARB with additional flexibility to achieve the policy goals of the legacy contract provisions. CARB should revise Section 95894 to provide the Executive Officer with discretion to provide a true-up allocation for the legacy contract counterparty when a Legacy Contract Generator is no longer eligible for Legacy Contract Status, or when an application is later deemed to have been approved in error.

  As proposed, Section 95894 of the regulation does not have a mechanism with which ARB can transfer allowances between entities in the case of a dispute. For example, if a party disputes a transfer of allowances through legacy contract after the legacy contract application deadline, there is no clear mechanism with which ARB can reclaim the transferred allowances disputed. This places ARB in a situation where they have little ability to act in the case of a legitimate dispute. The Executive Officer should have greater discretion and authority to implement the policy goals of Section 95894.

We thank the Board and CARB staff for their work in these proposed changes to the regulation.

Respectfully submitted,

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The Procter & Gamble Manufacturing Company