

# Solar Turbines

**A Caterpillar Company**

Solar Turbines Incorporated  
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Clerk of the Board  
California Air Resources Board  
1001 J Street  
Sacramento, CA 95812

March 16, 2018

**Re: Comment Period, PRELIMINARY DISCUSSION DRAFT of Potential Changes to the Regulation for the California Cap on Greenhouse Gas Emissions and Market Based Compliance Mechanisms**

Solar Turbines (Solar) is a 90-year California Company with its corporate headquarters and two primary manufacturing and assembly facilities in San Diego. This includes approximately 4,000 employees in California and more than 7,000 worldwide. We are an international company, providing clean energy solutions to customers on every continent. Solar is the only industrial gas turbine manufacturer in California.

The San Diego Kearny Mesa facility, where all new products are assembled, tested and distributed, is subject to the mandatory reporting and cap and trade regulations. Emissions are generated by gas turbine testing for research and development, and performance and safety testing required by customers.

Solar respectfully submits the following comments on the Preliminary Discussion Draft (PDD) presented by ARB Staff (Staff) at the workshop on March 2.

- 1. Section 95870-Disposition of Vintage 2013-2020 Allowances.** Solar remains concerned that the Kearny Mesa Facility continues to be designated in the PDD as a medium leakage risk for the 3<sup>rd</sup> compliance period. This designation will reduce our assistance factor by 25%. Given Solar's unique business, with operations outside California and the US, and with international competitors not subject to Cap and Trade or other GHG reduction mandates, Solar requests Staff propose a "High Potential" 3<sup>rd</sup> compliance period leakage designation.
- 2. Staff Comments, Section 95870 Potential Changes to Table 8-1.** Solar supports the comments from Staff that *"a smooth allocation path between 2017 and 2021 is the most conservative approach to protect against emissions leakage, enable earlier investments in onsite equipment upgrades, and allow for economic growth."* Until there are more entities, with significant emission trading capacity linked with California, industry assistance is a critical leakage containment tool that must be maintained through the 3<sup>rd</sup> compliance period.

- 3. Section 95871-Disposition of Allowances from Vintage year 2021 and beyond.** Solar supports Staff recommendations for Table 8-1 that includes 100% Assistance Factors for remaining compliance periods. Solar also agrees with Staff's important clarification that *"a 100 percent assistance factor does not mean businesses get all the allowances they need to comply with the Program—they still need to reduce emissions onsite or seek out additional allowances."* Even with assistance, Solar will be challenged to meet AB-32 compliance obligations while working with our customers to satisfy their requirements for product safety and performance.

In summary, Solar urges Staff to firmly propose suggested modifications that will reduce uncertainty and risk to our business. We have worked hard to reduce our emissions from engine testing, but our customer requirements for demonstrating product safety through testing are actually increasing. Continued transition assistance under the Cap and Trade program is essential to ensure that our unique, California based business, can meet customer expectations and remain competitive in a global market place.

Thank you in advance for considering these comments. Please contact myself or Nadine Spertus (619-544-5242) for further discussion.

Sincerely,



Colleen Klaiber  
Director, Environmental Affairs  
Solar Turbines  
619 544-5126

cc. Supervisor Ron Roberts