

April 24, 2007

Dr. Robert Sawyer, Chairman
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95814

Dear Dr. Sawyer:

This letter is in regards to the Composite Wood Products ATCM that is on your April 26 Board agenda. I appreciate in advance your consideration of my comments in this matter.

SierraPine is the largest composite panel manufacturer in California and one of the main producers of MDF and particleboard in North America. We are a California company headquartered in Roseville with operations in Rocklin, Sacramento and Martell. We also operate facilities in Georgia and Oregon. In California we employ more than 400 people and provide over \$21 million in annual wages and tax revenue. We offer our employees good wages plus benefits including pension plans, 401K's, and health insurance. Suffice it to say, with most of our business in California, we will be significantly affected by the ATCM being proposed by the ARB.

SierraPine has been intimately involved in the development of this regulation since activity initiated in 2001. In fact, we have repeatedly extended an open door to the ARB to facilitate staff's knowledge and understanding of our products and processes by hosting a number of ARB staff at our facilities in California and Oregon. We have been very candid and comprehensive in the information we have shared with the agency and plan to remain available to ARB staff as they complete their work on this rule following the April 26 Board meeting.

I appreciate ARB's efforts to work with industry to provide the citizens of California with a regulation that meets the agency's public health objective while at the same time calling for requirements that are both technologically possible and economically feasible. The proposal to be considered by the Board this week is close, but still falls short in the latter respect.

Specifically, we support the California Wood Industries Coalition (CWIC) recommendation to adjust the Phase II emission level limits as follows:

- Particleboard – a ceiling of 0.10 ppm rather than 0.09 recommended by agency staff
- MDF – a ceiling of 0.13 ppm rather than 0.11 as recommended by agency staff
- Thin MDF – a ceiling of 0.15 ppm rather than 0.13 as recommended by agency staff

The meeting of these levels recommended by industry by 2011-12 would represent the most substantial emission reduction by the North American composite panel industry at any time in its history.

A critical aspect of this regulation is the understanding that the use of ceiling values requires manufacturers to produce at substantially *lower* emission targets than required because of the inherent variability in raw materials, production processes and the repeatability of the compliance test itself. Modest changes in the range of 1/100th to 2/100^{ths} of a part per million (ppm) are essential in the Phase II ceiling levels if ARB expects the regulation to be met on an industry-wide basis, not just by a limited few or for a niche application.

Even with the changes recommended by industry, the ARB rule will still be the most comprehensive, toughest formaldehyde control measure in the world.

Throughout this rulemaking process, ARB staff has been intrigued by one company's touting of soy adhesives as BACT, and questions have repeatedly been posed as to its applicability for all products covered in the scope of the rule. Notwithstanding that various aspects of the technology and its cost remain in dispute, one thing is absolutely clear: ARB cannot make the case that soy technology is transferable from hardwood plywood production to particleboard and MDF production. This is clear to everyone in the industry except the company that is seeking market advantage by having ARB bless its proprietary technology as a vehicle for achieving BACT. Simply put, soy adhesive technology is incompatible with MDF and is commercially unproven for particleboard. For many years SierraPine has manufactured and sold products with no added formaldehyde to niche markets. We have experience in using alternatives to urea-formaldehyde including MDI, PF, and MUF resin formulations, and can attest to the significantly higher costs of these products as well as the extensive accommodations that must be made to our production processes when using them.

The cost differential is a reality and leads me to my next concern. Passing on higher costs to our customers will further put them in an uncompetitive situation, particularly when foreign suppliers will be able to import products that are not ARB compliant. We have virtually lost the domestic furniture industry to offshore competition. The kitchen cabinet industry may be next.

The enforcement division has assured us they will be able to enforce this regulation on all producers of MDF and Particleboard worldwide, along with being able to enforce the regulation on all finished products made with our substrates. We do not share this optimism because ARB has yet to develop a test protocol that will apply over the hundreds of applications these products go into and will not have the personnel available, particularly due to the emphasis on implementing and enforcing AB 32.

Without adequate enforcement, the flood of imported products made with non-compliant foreign MDF and Particleboard will increase significantly and our domestic customers, forced to use higher cost panels, will not survive. This will have the unintended affect of actually worsening the environmental impact, as many foreign producers do not comply with any local clean air regulations from their operations and emit significant amounts of greenhouse gasses. With more foreign imports, ocean transportation will increase substantially. Former EPA Secretary Dr. Alan Lloyd's ICCT organization estimated oceangoing vessels emit nearly 3 times the amount of sulfur dioxide and nitrogen oxides (global warming gasses) as road vehicles and remain unregulated to this day.

In summary, this regulation, with the emission levels proposed in Phase II, will be the most expensive ATCM in terms of cost per pound of reduced emission that ARB has ever promulgated. There is no measurable contribution to public health by adopting the emission levels currently in the rule as opposed to those recommended by industry. Therefore, we urge the Board to amend the Phase II limits as presented above to assure that the proposed regulation accomplishes its objective without placing unrealistic and unnecessary mandates on industry.

Thank you for the opportunity to share my concerns with you.

Sincerely,



Wade Gregory
President