



October 2, 2008

Robert DuVall
California Air Resources Board
Headquarters Building
1001 "T" Street, P.O. Box 2815
Sacramento, CA 95812
duvall@arb.ca.gov

Dear Mr. DuVall:

Re: Draft AB 32 Scoping Plan Document – Measure Documentation Supplement and Economic Analysis Supplement

Saint-Gobain Containers, Inc. owns and operates two glass container production furnaces in Madera. We have been following the California rulemaking and attended numerous seminars and workshops pursuant to AB-32 and appreciate the opportunity to provide comments on this rulemaking effort. We offer the following comments on the Scoping Plan and its accompanying documents:

Energy Efficiency

The Measure Documentation Supplement, page 42, states:

Overview

This measure under evaluation would increase the requirement for recycled glass (cullet) content and would require facilities to use the best available technology to reduce GHG emissions or adopt energy efficient and maintenance procedures for manufacturing glass.

Assumptions for GHG Reduction

The GHG emissions reduction was based on the industry's increase in cullet use of 10% or more and the use of other potential energy efficiency measures which would result in 5 to 10% energy savings.

The glass industry has been diligently seeking to improve its energy efficiency (thereby reducing GHG emissions) for a number of years because of the ever-increasing cost of energy. Our industry is a commodity-based business where energy expenditures are typically a good fraction of our total costs; savings in the production costs can make the difference between keeping a furnace running or shutting it down.

Some examples of energy reduction technologies we have implemented in our furnaces include the use of regenerators in many of our furnace designs which extract waste heat from the furnace exhaust gasses to heat refractory 'checkers' which then release that heat in preheating combustion air for the furnace. We also continually seek out more effective

insulation to retain heat in the furnace and special refractory that is also wear resistant, as well as more efficient gas burners to keep the furnace at optimum temperatures and as fuel-efficiently as possible. As a result of the substantial investment and resultant gains in energy efficiency that is currently employed our industry, we do not understand, and the *CARB has failed to explain* what further measures might be taken. Accordingly, there is no substantiation of CARB's estimated future reductions from the glass industry of 0.1-0.2 MMtCO₂E . CARB has not provided any examples of the technology that CARB anticipates can be feasible. Based on our evaluation of energy technology, further reductions are simply not technologically feasible. The easy fruit has been picked.

Cullet Use

SGCI supports the use of increased cullet, as a benefit to the industry and the environment. As stated in our comment letter of August 8, 2008, there is a recognized energy benefit to the usage of cullet. Cullet also reduces furnaces wear and NOx emissions. Because of these known 'built in' financial and environmental compliance incentives, glass manufacturers already incorporate as much available, useful cullet into its processes as is available.

However, CARB incorrectly characterized the energy benefits of cullet, and failed to address the key issue that limits cullet use – a continuing supply of clean cullet, and the appropriateness of different cullet streams for particular glass streams. These issues are described more fully below.

First, CARB claims that for an increase in cullet of 10%, energy use is reduced by 5%. This ratio is far higher than what we have seen in actual practice in the industry. We would anticipate that a 10% increase in cullet would result in 2%-3% reduction in energy use.

Second, the lack of available clean, useful cullet for a particular process must be understood in the context of our complex glass chemistries, since not all cullet can be used in all glass furnaces – what works well for one type of glass manufacturing won't work at all for a different type. Moreover, some glass cullet has chemistry that is sufficiently different from the glass being produced in our furnaces, that is considered waste. Debris in the cullet can have a detrimental impact on the furnace, on glass quality and, in some cases, even on our employees' safety. In short, if the scoping plan does not address methods of ensuring appropriate, clean cullet supply, this measure can not be implemented, and will be ineffective.

Rather than simply mandating increased cullet usage where available cullet is currently non-existent, SGCI would encourage the Air Resources Board to pursue working with the Department of Conservation to more fully develop the waste streams and to effectively increase cullet availability for recycling. Rather than a command and control rule aimed at the glass industry which stands willing and ready to use all available quality cullet, we thus encourage the development of new supplies of clean recycled glass cullet.

Green House Gas Leakage

The Economic Evaluation Supplement Appendix II, 2.3.5, Manufacturing, page 11 states:

“Any increase in the California price will further increase the demand for imported products at the expense of California production.”

This statement outlines what has now commonly been termed as ‘leakage’ and is a very real threat to any GHG rulemaking. In Appendix II, a reference is made to Apparel Manufacturing, which then also applies the same logic to Automobile manufacturing. We would submit that product displacement applies to many more manufacturing segments but especially to any commodity-based manufacturing, for which energy is a substantial part of the cost structure, such as glass manufacturing. We are now facing increasing foreign imports of glass containers on the west coast. Displacement of business to other locations is a very real threat because of manufacturing cost imbalances in various geographic regions. If energy and manufacturing costs increase in California as a result of AB 32, imports will continue to increase. These imports will be from regions of the world where the energy use is more carbon intensive and energy technologies are less developed. Furthermore, this will also increase emission from shipping glass containers. Both of these effects will not simply displace GHG emissions, they will *increase* GHG emissions.

To reduce this likelihood, SGCI would recommend that equivalent carbon fees and associated carbon limits be applied to all glass container imports into California. This would work to limit GHG emission leakage and increases that result from manufacturing in other areas.

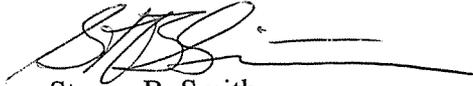
Overall Cost Effectiveness

The scoping document estimates the cost of reducing GHG from glass manufacture at \$35 million per year, with an estimated 0.1 – 0.2 MMTCO₂E/yr reduction. There is little justification in the document for either the estimated emission reductions or the overall cost estimate. This is not consistent with the regulations in AB 32, which require that cost effectiveness be considered. Cost effectiveness can not be properly considered without substantiation, and none is provided. Furthermore, as noted above, the reduction in energy efficiency that results from using cullet is incorrect, and this would result in an incorrect cost effectiveness calculation.

Even if the costs were correct (and we have no basis for judgment) those costs listed for our industry are significant. We believe that any regulation of our industry must assess the current state of GHG emissions on a facility by facility basis in order that the reductions which have already taken place are fairly accounted for before requiring more expensive methods of achieving further incremental reductions.

Thank you for your consideration in these issues. We look forward to working with you during this rule development process.

Sincerely,

A handwritten signature in black ink, appearing to read 'SBS', with a long horizontal flourish extending to the right.

Steven B. Smith
V.P. E.H.S.

Cc: Stephen A. Segebarth, Esq.