



August 17, 2023

California Air Resources Board
California Cap-and-Trade Program
1001 I Street
Sacramento, CA 95814

RE: Comments on the July 27, 2023 California Public Workshop: Potential Amendments to the Cap-and-Trade Regulation

The North American Insulation Manufacturers Association (“NAIMA”) attended the July 27, 2023 “California Public Workshop on Potential Amendments to the Cap-and-Trade Regulation” (“Workshop”) sponsored by the California Air Resources Board (“CARB”).¹ NAIMA is the trade association for North American manufacturers of fiber glass, rock wool, and slag wool insulation products. NAIMA promotes energy efficiency and environmental preservation through the safe manufacture and use of fiber glass, rock wool, and slag wool insulation.

The California Cap-and-Trade Program (“Program”) is important to NAIMA because three of its members operate fiber glass insulation manufacturing plants in the State of California:

- Knauf Insulation in Shasta;
- Johns Manville in Willows; and
- CertainTeed in Chowchilla.

Based on the Workshop presentations and discussions, NAIMA presents the following comments concerning industrial allocations of carbon allowances as addressed in Workshop slides 45-50.²

FIBER GLASS INSULATION PRODUCTS PROVIDE ENERGY EFFICIENCY NEEDED FOR CALIFORNIA TO MEET ITS CLIMATE, ENERGY, AND ENVIRONMENTAL GOALS

Fiber glass insulation provides effective thermal performance to ensure that cost-effective space heating and cooling in homes and offices is achieved. The California Title 24 energy code recognizes the importance of energy efficiency, and the amount of insulation required for new buildings in California has steadily increased over time.

As noted by the U.S. Department of Energy:

Energy efficiency is one of the easiest and most cost-effective ways to combat climate change, reduce energy costs for consumers, and improve the

¹ <https://content.govdelivery.com/accounts/CARB/bulletins/3640e61>.

² https://ww2.arb.ca.gov/sites/default/files/2023-07/nc-CapTradeWorkshop_July272023_0.pdf.

competitiveness of U.S. businesses. Energy efficiency is also a vital component in achieving net-zero emissions of carbon dioxide through decarbonization.³

The fiber glass manufacturing plants in California have taken action to reduce their carbon intensity and greenhouse gas (“GHG”) emissions by using post-consumer recycled bottle glass (cullet). It takes less energy to remelt existing glass cullet than it does to melt virgin raw materials to make glass. These California plants together use on average 2.3 billion tons of cullet each year.

ANY CHANGE TO INDUSTRIAL CARBON ALLOWANCE ALLOCATIONS MUST NOT RESULT IN ANY DIMINUTION OF FINANCIAL SUPPORT

The NAIMA members that operate in California are energy-intensive and trade-exposed (“EITE”) industries. All three plants use high temperatures to both make virgin glass as well as to remelt post-consumer recycled bottle glass cullet. In addition, large high-temperature ovens are needed to cure the bonded fiber glass batts made at these plants. They are thus subject to leakage risk posed by manufacturing plants in nearby states and Canada.

NAIMA members in the State may receive financial benefits in the form of the California Industry Assistance Credit (“Credit”) administered by the California Public Utilities Commission (“CPUC”).⁴ This credit is made available to customers of the State’s investor-owned utilities (“IOUs”) to help offset the increased cost of electricity due to the Program. In addition, the Credit serves to both reward EITE businesses that have taken early action to reduce their energy use and on-site GHG emissions, as well as to help prevent emissions increases.

Since its inception, the Credit has been payable in dollars in the form of a credit on the participant’s utility bill. Paying the credit in dollars ensures that the financial benefit is clear and does not vary once issued. At the Workshop it was announced that CARB staff is considering directly allocating support to industrial covered entities. It was noted that this would ensure covered industrial customers of publicly owned utilities (“POUs”) would be provided same leakage protection as IOU customers. In addition, this change would remedy the perceived problem that CARB’s industrial allocation methods do not account for the carbon price embedded in purchased electricity.

If CARB decides to make this change to industrial carbon allowance allocations in the Program, the net financial benefit should not be reduced from the current Credit payable in dollars. It was not entirely clear during the Workshop whether a new form of EITE assistance payable in carbon allowances in amounts over and above the current allocation method shown on Slide 47 would be accompanied by a corresponding increase in surrender obligation to cover purchased electricity. Especially if that is the case, it is critically important to ensure the net financial support amount is not decreased from what the Credit currently pays in dollars to IOU customers. Any change should

³ “Energy Efficiency: Buildings and Industry,” Office of Energy Efficiency & Renewable Energy, U.S. Department of Energy, available at <https://www.energy.gov/eere/energy-efficiency-buildings-and-industry>.

⁴ <https://www.cpuc.ca.gov/industries-and-topics/natural-gas/greenhouse-gas-cap-and-trade-program/california-industry-assistance>.

also continue to reward businesses that have taken steps to reduce on-site GHG emissions via, *e.g.*, advanced process electrification.

CARB SHOULD INCREASE TRANSPARENCY IN HOW THE AMOUNT OF INDUSTRIAL SUPPORT IS CALCULATED

The CPUC notes that the amount of the current Credit is calculated for each facility by the CPUC using confidential business information which the CPUC protects from disclosure. For more information about how credits are calculated, the CPUC directs interested parties to Appendix A of CPUC Decision.16-07-007. The equations in that appendix are abstruse and difficult to follow. Whether Program industrial allocations are changed or not, the CPUC or CARB should provide a more understandable summary of the calculation methodology and how businesses that have taken early action to reduce on-site GHG emissions are preferentially rewarded.

Sincerely,



Angus E. Crane

Executive Vice President, General Counsel