March 9, 2026

Lauren Sanchez, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: <u>Proposed Amendments to the Cap and Invest Program</u>

Dear Chair Sanchez:

The Glass Packaging Institute (GPI) appreciates the opportunity to submit comments on the draft amendments to the Cap and Invest Program released by your staff in January.

As we've noted previously, it is a challenging time for container glass manufacturers and their unionized workforces in California. Since 2015 three glass plants have closed on the west coast including one in California. The container glass industry's trade exposure is very significant and the risk of leakage for our industry is very serious.

As we noted in our last comments, any additional cost this industry faces could push production to other jurisdictions. Given that, GPI and its members have several concerns with the proposed amendments.

Reductions Associated with Cap Adjustment Factor After 2030 are too Significant

In our previous comments, GPI noted that in order to avoid pushing container glass manufacturers out of California, it may be necessary to eliminate the Cap Adjustment Factor (CAF) entirely. Doing so is consistent with statutory changes made to Health & Safety Code §38562(c)(2) made in AB 1207 (Irwin). These changes eliminate the statutory requirement that CARB apply a declining cap adjustment factor to industry allocations equivalent to the overall statewide emissions declining cap.

While we appreciate that the draft does not reduce the CAF through 2031, the proposed reductions between 2032 and 2035 are too significant for the container glass industry to withstand. The CAF falls by 30% between 2031 and 2032 alone. The reduction in allowance allocations and corresponding increase in compliance cost risks rendering operations in California unviable.

To minimize leakage, CAFs should be set at the highest level necessary to preserve cost competitiveness between California facilities and unregulated competitors operating outside of California. If CARB does not, there is significant potential that container glass facilities will close.

Cap Adjustment Factor Modifier and Manufacturing Decarbonization Incentive

GPI supports the establishment of a manufacturing decarbonization incentive and the use of a modified CAF as proposed by CARB. However, the list of eligible decarbonization activities is far too narrow to be useful.

CARB proposes to limit incentives to certain fuel uses and deployment of specific technologies. As acknowledged by CARB staff at their October workshop, decarbonizing the manufacturing sector is challenging. We urge CARB to adopt an "all options available" approach to reducing carbon emissions while keeping facilities in state and subject to this program.

CARB should expand the qualifying activities list to include any project that results in a reduction of process emissions including raw material or feedstock substitution that reduces emissions intensity. A portion of Scope 1 emissions in glass production results from raw materials during melting. These emissions cannot be fully eliminated through fuel switching alone. CARB should consider incentivizing the use of recycled cullet which significantly reduces process emissions.

In addition, decarbonization incentives should extend to enabling infrastructure investments necessary for electrification and measurable emissions reductions. Grid expansion, substation upgrades, and interconnection improvements are often prerequisites to furnace electrification and should be treated as directly enabling decarbonization.

The goal of the program is to achieve a reduction in carbon emissions. If there is a path to reducing those emissions, we should not forgo it. The current proposal assumes that only certain carbon emission reductions are worthy of funding. This premise is flawed.

Incentives Should Recognize Early Action

Giving credit for early actions has been an important feature of the program's design since its inception. GPI's members have made a number of investments in recent years that will result in reduced carbon emissions at their facilities.

As currently structured, the incentive fails to capture those investments which were made in good faith prior to the incentive's effective date but remain active on a facility's depreciation schedule. We recommend that CARB establish a lookback period that extends the eligibility window to capture all qualifying projects that remain within their active depreciation schedule.

Again, if the overall goal of the program continues to be decarbonization without the risk of leakage, accommodating and rewarding all efforts that have reduced and will continue to reduce carbon emissions is important.

Conclusion

As noted above and in our previous comments, keeping GPI member companies operating in California is important to the state's efforts to reduce carbon emissions. Lifecycle emissions associated with imported glass are significant. Container glass produced in China, a major competitor to domestic glass manufacturing, results in twice as much emitted carbon by the time it reaches California. At the same time, the domestic industry has never been more trade exposed and is facing record high energy prices in the state.

Our recommendations consider the state of the industry and are necessary to ensure its continued health in California. We welcome the opportunity to discuss our comments with your staff.

Sincerely,

Scott DeFife
President
Glass Packaging Institute