COLORADO CHAMBER OF COMMERCE

Governor Polis,

The Colorado Chamber represents hundreds of businesses of all sizes across our state, over 35 local chambers of commerce, as well as numerous trade associations & economic development organizations. Among the Chamber's membership are major operators in Colorado's energy sector, operators in numerous heavy industries, major manufacturers, and many members whose businesses and operations include or depend upon at least some type of industrial or manufacturing component. The Colorado Chamber of Commerce, on behalf of its members, advocates for a robust economy and business climate in Colorado.

We write regarding the Air Pollution Control Division's ("Division's") proposed Greenhouse Gas and Energy Management for Manufacturing Phase 2 ("GEMM 2") Rule or "Proposed Rule"). The Colorado Chamber appreciates the Division's efforts to date to develop a Proposed Rule that implements the provisions set forth in the Environmental Justice Act, and the Division's efforts to include impacted companies and stakeholders in the rule-writing process. In particular, the Colorado Chamber continues to appreciate the work and conversation with the Division as a part of the rulemaking process. Additional revisions to the Proposed Rule are necessary to ensure operators subject to the Proposed Rule have a pathway to compliance. **To resolve these concerns, we respectfully ask that you support the inclusion of a GHG Reduction Account in the language of the rule at the 2030 social cost of GHGs of $89 per ton of CO2e.**

As the statewide voice of business, we are focused on elevating Colorado's competitiveness. A recent Colorado Chamber business poll found that our regulatory climate is already driving businesses out of state, and we are concerned that the current draft of Reg 27 will continue that path. Our members are invested in protecting and preserving our environment for future generations. Since 2015, collectively, the 18 facilities subject to this legislation have willingly reduced their collective GHG emissions by approximately 11%. We are committed to being a partner in environmental progress, and our members stand ready to move forward to further reduce greenhouse gas emissions in collaboration with the State.

To that end, there must be reasonable pathways to compliance with any rule, including environmental regulations, without creating a regulatory climate that forces companies to reduce production or ultimately leave Colorado. Currently, sufficient pathways, including a GHG Reduction Account, do not exist under the draft GEMM 2 proposal before the Colorado Air Quality Control Commission ("Commission").

The Colorado Chamber and our impacted members share the outstanding concerns below.

- While efforts are underway to seek to improve the GHG credit program, including development of an auction process, it is unclear whether there will be sufficient credits available for purchase in order for a facility that has performed technically feasible and cost-effective on-site GHG measures to achieve full compliance through credit trading. Meaning, if there are not enough credits in the GHG credit program—by no fault of any operator, the Division, or Commission—the Proposed Rule does not delineate a pathway to compliance.

- With the most recent revisions to the Proposed Rule published by the Division, the rule would require onsite emissions reductions projects whose financial costs outweigh their benefits, as measured by the social cost of GHGs. This is inconsistent with this Administration's focus on a thriving business community.

- As a result, the subject companies are left with the very real prospect that production cuts may be their only means of complying with the rule. If Colorado is to be economically competitive, forcing production cuts, directly or indirectly, as a means of compliance must be off the table.

- Our impacted members are invested in their communities and remain dedicated partners in improving emissions. As drafted, the current rule also does not provide any mechanism for future growth. In essence, the draft rule sends a message that Colorado is closed for business.

To address these issues, the Colorado Chamber, and other individual parties, have proposed two primary solutions: the GEMM 2 draft rule must include (1) a single and defined cost-effectiveness value established at the 2030 social cost of GHGs for onsite reduction projects; and (2) a GHG Reduction Account as a limited safety valve to ensure a compliance pathway is available for any given facility. Regarding the latter, the GHG Reduction Account was originally the Division's own concept. The Chamber supports it and will continue to specifically request that the Division support rule language to implement a GHG Reduction Account (at a cost of $89/ton of CO2e) as a compliance option. This approach is also consistent with the Division's Draft and Final Economic Impact Statements that evaluate the worst-case cost impact of the Proposed Rule at $89/ton of GHG emissions. We urge you to support the inclusion of this GHG Reduction Account in the final rule from day one.

The Colorado Chamber requests that your administration consider the concerns of the broader business community as the Commission contemplates the GEMM 2 rule and other climate action initiatives. Again, we sincerely hope that you will support the inclusion of a GHG Reduction Account in the language of the rule from day one. If a thoughtful and collaborative approach is not carried out, the impact of these proposals could stifle economic growth in our state, driving out businesses and jobs and forcing Coloradans to import the products they need from other states.

The Colorado Chamber is prepared to work with your staff to find solutions that fulfill the intent of the Environmental Justice Act while also safeguarding Colorado's business climate.

Sincerely,

The Colorado Chamber of Commerce

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