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May 4, 2026

Lauren Sanchez, Chair
California Air Resources Board
Industrial Strategies Division, Climate Change Program Evaluation Branch
1001 I Street
Sacramento, California 95814

Comments Submitted Electronically to the Public Docket

RE: Comments on Proposed Changes to the Cap-and-Invest Program Regulations; April 14, 2026 Amended Proposal

Dear Chair Sanchez:

The California League of Food Producers (CLFP) appreciates the opportunity to provide comments on the California Air Resource Board's (CARB) April 14, 2026 revisions to the January 20, 2026 proposed amendments to the Cap-and-Invest Program (Program) regulations. CLFP is a statewide association representing the interests of food processors and beverage producers throughout the state, including companies covered by the Program. These comments are intended to supplement and build on the CLFP's March 9, 2026 comments on CARB's initial proposal.

Leakage Risk Through 2030

CLFP supports CARB's proposals aimed at reducing the risk of emissions leakage through 2030, including CARB's proposal to maintain the 100 percent assistance factor for all sectors and to modify the Cap Adjustment Factor (CAF) to reduce the rate of cap decline for California manufacturers. These changes are important improvements that help to keep food processing facilities, and the jobs and economic benefits they provide, in the state.

CLFP also supports CARB's modified proposal to provide a manufacturing decarbonization incentive (MDI) allocation to mitigate emissions leakage risk while simultaneously accelerating GHG emissions at covered facilities by incentivizing long-term emissions reductions that facilities could not implement without additional financial support. We also support CARB's proposal to fund the MDI allocation through a new Manufacturing Decarbonization Incentive Fund (Fund) that is funded with 118.3 million allowances removed from the total Program budget. This is a significant improvement to the 45-day proposal to draw MDI allowances from

future vintage years. This modified proposal allows CARB use available allowances to further increase near-term GHG emissions reductions and reduce emissions leakage risk, while still increasing the stringency of the Program by reducing the total Program budget. We question, however, the reasoning for and utility of CARB's proposal to retire an MDI allowances that are returned to CARB because the allowance value did not achieve GHG emissions reductions. Retirement of returned MDI allowances unnecessarily reduces the ability of the MDI to accelerate GHG emissions reductions by reducing the available incentive pool. We ask CARB to consider amending the proposal to instead return those allowances to the Fund to make them available to incentivize and accelerate other decarbonization projects.

We appreciate CARB's expansion of the eligible project types to include carbon capture, utilization, and storage (CCUS) projects, and the proposal to allow the MDI allocation value to be used for not just capital costs for several project types (electrified equipment, renewable electricity generation or storage, solar thermal or geothermal generation, and CCUS), but also for costs of design, engineering, and permitting. We also appreciate CARB's clarification that the MDI allocation value may be used to cover capital costs to enable the use of exempt biomass-derived fuel, and we encourage CARB to similarly clarify that the value of MDI allocations may be used to cover capital costs to enable the use of low-carbon hydrogen.

CLFP remains concerned that the proposed MDI, even with the improvements CARB made in the April 14 proposal, is still insufficient to effectively incentivize the transition of many natural gas-powered processes in food production facilities to electricity or alternative fuels. The ability of the proposed MDI allocation to minimize emissions leakage risk and to accelerate GHG emissions reductions depends on the ability of covered facilities to cost-effectively implement one or more of the eligible project types. Among other things, this requires facilities to have the physical space needed for renewable power generation, alternative fuel generation and storage, or electricity-powered equipment that is often larger than the natural gas-powered equipment it replaces (for example, high capacity electric boilers and the related components require a bigger footprint than their natural gas counterparts). Many food processing facilities have space constraints that limit their ability to implement the proposed eligible project types, including facilities located in more densely populated areas.¹ Implementation of the proposed MDI projects also requires facilities to have access to a reliable supply of affordable electricity or

¹ See CLFP's March 9, 2026 Comments on Proposed Changes to the Cap-and-Invest Program Regulations for additional information on the significant space that would be required to for to generate sufficient power from solar, wind, biofuel, and hydrogen to power processing operations at a single tomato processing facility.

alternative fuels. As explained in our March 9, 2026 comment letter, because the state's utilities are not yet able to ensure the availability of a reliable supply of cost-effective electricity or alternative fuels, the ability of food production facilities to reduce their natural gas usage is limited.

In this transitional period while the state's utilities expand electrical energy and alternative fuel infrastructure and supply, CLFP strongly recommends that CARB expand its focus from projects that fully eliminate usage of natural gas and consider the ability of fuel efficiency improvements to achieve meaningful, near term GHG emissions reductions. For hard-to-decarbonize food processing facilities, revising the eligible project types to include projects intended to decrease natural gas consumption by increasing the energy efficiency of natural gas-powered processes would provide a way for the state to achieve GHG emissions reductions that would otherwise not be realized. We understand that CARB may be hesitant to incentivize projects that assume the continued use of natural gas and suggest that CARB narrowly tailor the fuel-efficiency project type to limit its use to facilities that have limited ability to cost-effectively implement other eligible project types, such as facilities located in areas of the state that lack the infrastructure and reliable supply needed to cost-effectively convert natural gas-powered operations to electricity or alternative fuels. CLFP would welcome an opportunity to meet with CARB staff to further discuss this recommendation.

Leakage Risk Post-2030

CLFP supports CARB's decision to further analyze emissions leakage risk for covered facilities and to propose additional updates to the Program regulations to minimize emissions leakage, including post-2030 allowance allocation, based on current and accurate information. Updated sector-specific and facility-specific leakage risk data and analyses are necessary for CARB to design future Program updates that satisfy the directive in AB 1207 (Irwin, 2025) to "distribute industrial sector allowances in a manner that minimizes emissions leakage risk to cost-effectively achieve" the state's greenhouse gas (GHG) reduction goals. (Health & Saf. Code, § 38562(c)(2)(G).)

We urge CARB to share information and to engage with stakeholders and subject matter experts early and often through a transparent process designed to inform CARB's further evaluation of emissions leakage risks, including regarding the scope of further leakage risk assessments and research methodologies performed or funded by CARB, preliminary results of that research, and interpretation and application of leakage study findings. CARB can and should take advantage of

stakeholder expertise and information to help CARB navigate these complex tasks and efficiently accomplish the directives in AB 1207.

Thank you again for your time and consideration of our concerns and recommendations. We look forward to further engaging with you on these issues.

Sincerely,



Trudi Hughes
President/CEO