

Center for Resource Solutions (Lucas Grimes)



May 4, 2026

CARB Staff
California Air Resources Board (CARB)
1001 I street, Sacramento, CA 95812

RE: COMMENTS OF CENTER FOR RESOURCE SOLUTIONS (CRS) ON PROPOSED AMENDMENTS TO THE REGULATION FOR THE CALIFORNIA CAP ON GREENHOUSE GAS EMISSIONS AND MARKET BASED COMPLIANCE MECHANISMS

Dear CARB Staff:

Center for Resource Solutions (CRS) appreciates this opportunity to submit comments in response to the proposed amendments to the Cap-and-Invest Regulation. Our comments pertain specifically to reinstating the allocation of allowances to the Voluntary Renewable Electricity Program (VREP).

Background on CRS and Green-E®

CRS is a 501(c)(3) nonprofit organization that creates policy and market solutions to advance sustainable energy and has been providing renewable energy and carbon policy analysis and technical assistance to policymakers and other stakeholders in California for over 20 years. CRS also administers the Green-e® programs. For over 25 years, Green-e® has been the leading independent certification for voluntary renewable electricity products in North America. In 2024, Green-e® certified retail sales of nearly 143 million megawatt-hours (MWh), serving nearly 1 million retail purchasers of Green-e® certified renewable energy, including approximately 80,000 businesses.¹

I. Primary Recommendation

CRS recommends that CARB incorporate into final regulatory text a bounded, cost-controlled set-aside of 5.5 million allowances from the 2025–2030 annual budgets to replenish the Voluntary Renewable Electricity (VRE) Reserve Account.

The VREP was established to ensure that voluntary renewable electricity purchases could deliver emissions reductions under California's mass-based cap. The current proposal does not replenish the VRE Reserve Account. As the existing reserve is depleted, the mechanism designed to preserve the emissions impact of voluntary procurement will no longer function. Restoring this structural feature

¹ For more information, the 2025 (2024 Data) Green-e® Verification Report will be available here soon: <https://www.green-e.org/verification-reports>

would be consistent with the foundational regulatory design and longstanding operational practice and is necessary to maintain the integrity of voluntary climate action within the Cap-and-Invest framework.

II. Structural Role of the VREP Under a Mass-Based Cap

The VREP was established as a structural feature of California's mass-based Cap-and-Invest program to address a core design dynamic: under a fixed cap, voluntary renewable generation displaces emitting resources at the facility level but does not reduce aggregate emissions unless associated allowances are retired.

CARB recognized this at program inception and created the VRE Reserve Account to ensure that voluntary renewable electricity procurement could result in allowance retirement and corresponding reductions under the cap. The VREP is therefore not a discretionary allocation mechanism; it is an environmental integrity safeguard embedded in the original regulatory design.

The program's documentation, REC retirement, and attestation requirements were deliberately structured to ensure that allowance retirement reflects verified, exclusive renewable generation and prevents double counting.

Absent a functioning VRE Reserve Account, voluntary renewable procurement is simply absorbed within the cap, and voluntary buyers cannot ensure their actions produce incremental reductions beyond compliance obligations. Eliminating the VREP does not strengthen the integrity of the cap; it removes the mechanism specifically designed to allow voluntary actors to reduce emissions below the cap through allowance retirement.

While the cap determines aggregate emissions, the relevant policy question before the Board is whether voluntary renewable electricity purchases should continue to reduce emissions under the cap or simply free allowances for compliance use by covered entities.

Without allowance retirement:

- Voluntary renewable electricity displaces fossil generation;
- Emissions decline at specific facilities;
- Unused allowances remain available for compliance use elsewhere.

With allowance retirement:

- Voluntary renewable electricity displaces fossil generation;
- Corresponding allowances are retired;

- The number of allowances available for compliance declines, and the emissions reductions associated with voluntary renewable electricity remain permanent.

The cap constrains maximum emissions. The VREP determines whether voluntary renewable electricity procurement reduces the number of allowances available to emitters or is simply absorbed within the cap.

III. Recommended Set-Aside: Structure and Scale

CRS recommends a fixed total set-aside of 5.5 million allowances over the 2025–2030 period.

This amount reflects staff's previously analyzed concept described in the Standardized Regulatory Impact Assessment (SRIA)² and related discussions.

The proposed allocation is:

- Bounded and predictable;
- Limited in scale relative to overall allowance budget;
- Sufficient to preserve voluntary renewable electricity impact during the current budget period; and
- Consistent with the historical design of the VREP.

At approximately 1.1 million allowances per year, the proposed allocation represents a small share of annual allowance budgets during this period. It restores program functionality and voluntary market impact without creating open-ended exposure or automatic expansion tied to future voluntary demand.

IV. Cost and Auction Revenue Considerations

While allowances retired for the VREP could otherwise be auctioned, generating revenue for the Greenhouse Gas Reduction Fund (GGRF), an increase in auction volume does not necessarily translate one-for-one into increased revenue because allowance prices adjust in response to changes in supply and demand.

The VREP affects both sides of the allowance market:

- The proposed set-aside reduces allowance supply available for auction;

² California Air Resources Board. Appendix C: Standardized Regulatory Impact Assessment (SRIA), Department of Finance Comments, and CARB Responses – Proposed Amendments to the Cap-and-Invest Regulation. 2026 Rulemaking Record. Available at: https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc-Appendix%20C%20-%20SRIA,%20DOF%20Comments,%20CARB%20Responses.pdf

- Voluntary renewable electricity purchases reduce allowance demand by displacing covered emissions that would otherwise require compliance allowances.

These effects offset one another. The proposed 5.5 million allowance set-aside represents a small share of total allowance budgets over the 2025–2030 period. Any revenue impact must therefore be understood within the context of equilibrium price adjustments across the broader allowance market. The VREP reallocates who funds emissions reductions — voluntary purchasers or compliance entities — but does not weaken the cap and does not necessarily reduce total auction proceeds.

Framing the VREP as a tradeoff between allowance retirement and funding for emissions reduction programs can therefore be misleading. In practice, both pathways result in emissions reductions: allowances retired through the VREP reduce emissions directly by lowering the number of allowances available under the cap, while auction revenue supports programs intended to reduce emissions through public investments. The relevant distinction is not whether emissions reductions occur, but how they are achieved and financed. Allowance retirement through voluntary renewable electricity procurement delivers verified reductions funded by voluntary market participants, complementing rather than substituting for publicly funded climate programs.

V. Affordability and Budget Constraints

The recommended 5.5 million allowance set-aside is modest relative to total budget volumes over 2025–2030 and was previously characterized as having only a small indirect compliance cost effect. Because the proposal is capped at a fixed total amount, it provides cost certainty and avoids open-ended fiscal exposure.

Voluntary renewable electricity procurement has historically complemented California's clean energy policies by supporting project development, accelerating renewable deployment, and enabling leadership beyond regulatory mandates. Preserving this complementary role strengthens long-term climate ambition without weakening the integrity of the cap.

VI. Conclusion

The VREP was designed and implemented to ensure that voluntary renewable electricity purchases could reduce emissions under California's Cap-and-Invest program. The current proposal does not maintain that mechanism. A fixed 5.5 million allowance set-aside for 2025–2030 represents a measured, cost-controlled, and environmentally necessary correction. It restores a core structural feature of the program, preserves environmental integrity, and maintains confidence in voluntary climate action. CRS respectfully urges CARB to incorporate this bounded set-aside into the final regulation.

Sincerely,

_____/s/____

Lucas Grimes

Manager, Policy

Monday, May 4, 2026

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Preserving the Emissions Impact of Voluntary Renewable Electricity under the Cap-and-Invest Program

Dear Chairman Sanchez and Members of the Board:

The undersigned organizations write to express concern that the proposed amendments to California's Cap-and-Invest Regulation would eliminate the ability of voluntary renewable electricity purchases to reduce emissions under the cap.

For voluntary renewable electricity markets, delivering real and additional emissions reductions is a widely recognized measure of impact and a core expectation of buyers, consumers, and program participants. Under a mass-based cap, this impact is preserved only when voluntary renewable electricity procurement is accompanied by allowance retirement or an equivalent mechanism. Absent such a mechanism, voluntary purchases are absorbed as surplus and no longer reduce total emissions.

We are concerned that the proposed amendments do not provide additional allowances to the Voluntary Renewable Electricity (VRE) Reserve Account or otherwise maintain a pathway for voluntary renewable electricity to deliver emissions reductions under the cap. As a result, voluntary renewable purchases in California risk losing their environmental impact and credibility, discouraging voluntary investment that has historically complemented California's clean energy policies.

We recognize that CARB is balancing important considerations in this rulemaking, including a shrinking allowance budget and affordability concerns. In that context, we respectfully recommend that CARB adopt the approach previously analyzed by staff: a **modest, bounded set-aside of approximately 5.5 million allowances over the 2025–2030 period** for voluntary renewable electricity.

This approach would:

- Provide cost control and budget certainty by establishing a clear, limited allowance amount;
- Be sufficient to cover anticipated voluntary renewable electricity activity during the current budget period; and
- Preserve the emissions impact and integrity of voluntary renewable electricity without materially undermining the cap or affordability objectives.

We respectfully urge CARB to incorporate this limited set-aside into the final regulation to ensure that voluntary renewable electricity continues to deliver meaningful emissions reductions and to maintain confidence in California's clean energy leadership.

Sincerely,

Center for Resource Solutions

CleanPowerSF

Union of Concerned Scientists

Ava Community Energy

Sierra Club

3Degrees Group, Inc.

California Clean Air Coalition

3 Phases Renewables, Inc.

Solar Energy Industry Association

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