



May 4, 2026

California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

*Submitted electronically*

RE: Comments of the Alliance for Retail Energy Markets on Proposed 15-Day Amendments to the Regulation for the California Cap on GHG Emissions and Market-Based Compliance Mechanisms

Dear California Air Resources Board:

The Alliance for Retail Energy Markets (“AReM”)<sup>1</sup> appreciates the opportunity to provide these comments to the California Air Resources Board (“CARB”) on the proposed 15-Day Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms (“15-Day Amendments”).

AReM opposes the proposed accelerated sunseting of the Renewables Portfolio Standard (“RPS”) Adjustment in Section 95852(b)(4)(F) from 2030 to 2026. AReM urges CARB to reconsider this significant regulatory change which will have ripple effects in the wholesale power market and will cause unnecessary disruption for suppliers and load-serving entities (“LSEs”). Many LSEs have executed long-term RPS compliance contracts consistent with California Public Utilities Commission (“CPUC”)-approved RPS Plans that assume the continued availability of the RPS Adjustment for Portfolio Content Category (“PCC”) 2 contracts under the current timeline. An accelerated sunseting will cause material and retroactive changes to contract economics, forcing hurried renegotiations or early contract terminations, thereby

---

<sup>1</sup> AReM is a California mutual benefit corporation formed by electric service providers that are active in California’s direct access market. The positions taken in this filing represent the views of AReM but not necessarily those of individual members or affiliates of its members with respect to the issues addressed herein.

increasing regulatory uncertainty and compliance risks. Ultimately it will result in additional and unexpected costs that will directly harm customers.

In addition to the customer cost issues triggered from an accelerated sunseting of the RPS Adjustment, there is a need for predictability and stability in the Cap-and-Invest market that these proposed 15-Day Amendments fail to acknowledge. Market participants need to be able to rely on the rules in place when they are making long-term compliance decisions. If CARB makes changes that rapidly and materially alter the economics of existing arrangements—which the accelerated sunseting does—it risks undermining confidence in the integrity of the program as a whole. The California carbon market has been particularly volatile over the last two years, making the need for certainty and predictability more critical than ever. If participants begin to fear that CARB will materially change fundamental rules after transactions have already been structured and priced, that fear will introduce more instability into a market that depends on consistency and reliability to function well. AReM urges CARB to reject the proposed language in Section 95852(b)(4)(F) that would change the end date of the RPS Adjustment to December 31, 2026, or at the very least, to add language clarifying that existing PCC 2 contracts which were executed prior to these amendments to the Cap-and-Invest Regulation will be grandfathered so that they will still qualify for the RPS Adjustment.

LSEs import firmed and shaped system power associated with PCC 2 Renewable Energy Credits (“RECs”), thus incurring a carbon allowance obligation, because that import of power is required by statute and by decision from the CPUC in order for the PCC 2 REC to comply with the requirements of a firmed and shaped RPS transaction. Fundamentally, the energy generated to create PCC 2 RECs does not create greenhouse gas (“GHG”) emissions – a fact acknowledged by the current RPS Adjustment. What the PCC 2 product allows is the recognition of that

procured renewable energy and associated attributes as well as the western grid's limitations that restrict the ability to directly import that energy at the time of production.

PCC 2 RECs also provide California ratepayers a significant cost savings over PCC 1 RECs. If CARB implements this proposed change it will create additional and unnecessary costs to the State's RPS program. According to the Legislative Analyst's Office, "...some of the key factors [contributing to California's relatively high electricity rates] include: significant and increasing wildfire-related costs, the state's ambitious greenhouse gas (GHG) reduction programs and policies, and differences in utility operational structures and services territories."<sup>2</sup>

Considering all these factors impacting affordability in the state, it is AREM's position that CARB should be exploring ways to decrease the costs of RPS compliance, not ways to increase them. Indeed, per Section 38562(b) of the California Health and Safety Code, regulatory design is supposed to minimize ratepayer impacts, which is not limited to the allocation of allowance only to Electric Distribution Utilities ("EDUs").<sup>3</sup> Accelerating the sunseting of the RPS Adjustment will impact those LSEs that are utilizing PCC 2s as contemplated in the RPS program.

Alternatively, if CARB decides not to roll-back the accelerated elimination of the RPS Adjustment, it should instead require the EDUs to first set aside a portion of the additional

---

<sup>2</sup> Gabriel Petek, Legislative Analyst, *Assessing California's Climate Policies— Residential Electricity Rates in California* (January, 2025), p. 1. Available at: <https://lao.ca.gov/reports/2025/4950/Residential-Electricity-Rates-010725.pdf>.

<sup>3</sup> [Section 38562\(b\)](#) of the Health and Safety Code requires CARB to:  
... (1)(A) Design the regulations, including distribution of emissions allowances where appropriate, in a manner that *is equitable, seeks to minimize costs* and maximize the total benefits to California, and encourages early action to reduce greenhouse gas emissions.  
“(B)(i)Design the regulations, including distribution of emissions allowances where appropriate, in a manner that transitions support from gas corporations to electrical distribution utilities, as defined in [Section 95802 of Title 17 of the California Code of Regulations](#), on or before January 1, 2031, *to minimize ratepayer impacts* and achieve the requirements of [Sections 38562.2](#) and [38566](#) and the purposes of this division.” (emphasis added)

