



Submitted electronically via CARB Comment Portal

May 4, 2026

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

Re: CMTA Feedback on CARB's Proposed 15-Day Amendments to the Cap-and-Invest Program

Dear Chair Sanchez and Members of the Board:

The California Manufacturers & Technology Association (CMTA) appreciates the opportunity to provide comments on CARB's proposed 15-Day Amendments to the Cap-and-Invest Program. CMTA represents a broad spectrum of manufacturers across California, many of whom are energy-intensive and trade-exposed (EITE) and directly subject to the Program.

CMTA acknowledges CARB's continued efforts to refine the Cap-and-Invest framework and appreciate the recognition of challenges regulated entities face in meeting the State's climate goals while operating in an increasingly uncertain economic environment. However, several aspects of the proposed amendments continue to raise significant concerns regarding cost containment, market stability, administrative feasibility, and the preservation of effective leakage mitigation mechanisms that are foundational to the Program's success.

Leakage Mitigation and Industrial Allocation Design

CARB's prior analysis has consistently demonstrated that the output-based allocation system, paired with robust assistance factors, is essential to prevent emissions leakage. This remains especially important given current economic uncertainty, evolving federal policies, barriers to maintaining efficient in-state production, and the slower pace of carbon pricing adoption in competing jurisdictions than anticipated when the original regulation was adopted in 2011.

CMTA appreciates CARB's proposal to increase the 2027 Cap Adjustment Factor (CAF) for Standard Activities from 0.613 to 0.807 and to moderate subsequent declines. Continued recognition of the leakage risks facing California manufacturers in future amendments will remain critical.

CMTA respectfully requests clarification regarding the proposed CAF schedule. CARB's notice states that from 2028–2030, the standard and alternate CAFs decline at approximately one percent less annually; however, based on review, the published

factors appear to decline by approximately three percent annually. We request confirmation of the intended trajectory.

In addition, CARB has not proposed CAF values and Assistance Factors beyond 2030. Manufacturers making long-term capital and operational decisions need greater certainty regarding future allocation assistance levels. CMTA encourages CARB to provide an early roadmap for post-2030 CAF and Assistance Factor treatment.

CMTA urges CARB to:

- Maintain robust assistance factors through 2030 and beyond unless updated, sector-specific leakage risk analysis demonstrates otherwise;
- Preserve the output-based allocation structure, which incentivizes efficiency and aligns compliance obligations with actual production levels; and
- Avoid policy changes that weaken leakage protections through accelerated allowance reductions or structural market changes.

Absent strong and durable leakage mitigation, California risks shifting production, and associated emissions, to jurisdictions with less stringent environmental standards.

Allocation Realignment from CPUC to CARB

CMTA remains concerned with the proposal to transfer the annual Cap-and-Invest electricity credit currently delivered to eligible facilities through CPUC-administered utility bill credits to CARB-administered annual allowance allocations.

As currently proposed, the amendment lacks sufficient detail for affected facilities to determine whether the transition preserves the economic value they receive under the existing CPUC credit structure.

CMTA respectfully requests that CARB publish a clear and transparent methodology explaining:

- How existing CPUC credit value will be translated into CARB allowance allocations;
- How fluctuations in allowance market prices will be accounted for;
- Whether facilities will receive equivalent annual value under the revised structure;
- How allocation amounts will be determined across sectors and facilities; and
- How regulated entities can accurately forecast future compliance costs under the new system.

Without this clarity, EITE facilities cannot effectively assess compliance exposure or make informed capital planning decisions.

Allowance Budget Adjustments and Market Stability

The proposed amendments continue to reflect significant tightening of allowance supply, including adjustments to the allowance budget and ongoing retirement mechanisms.

While CMTA recognizes the importance of aligning the cap with emissions targets, the pace and structure of these changes raise concerns about market volatility.

To ensure a stable and functional market, CMTA recommends that CARB:

- Phase in allowance budget reductions gradually and transparently to avoid abrupt supply shocks;
- Provide updated modeling on cumulative impacts to allowance prices, particularly for EITE sectors;
- Ensure that any offset-related allowance retirements are smoothed across compliance periods to prevent sudden constraints in auction supply; and
- Maintain clear, predictable rules governing allowance availability to support long-term planning and capital investment.

Predictability in allowance supply is critical for manufacturers making long-term operational and decarbonization decisions.

Manufacturing Decarbonization Incentive Allocation

CMTA appreciates CARB's continued inclusion of a Manufacturing Decarbonization Incentive. Given the loss of federal funding opportunities and the high cost of industrial decarbonization technologies, this mechanism is increasingly important.

We note several constructive revisions in the 15-day package, including:

- Applicability to budget years 2028–2035;
- Replacement of the prior modifier schedule with an “up to 0.8” modifier;
- Clarification that modifiers apply only to initial allocations and not to true-ups;
- Expanded eligible activities, including methane reductions, exempt biomass-derived fuels, alternative materials that reduce process emissions, and carbon capture utilization or sequestration; and
- Revised application deadlines of June 1 of the preceding year.

CMTA particularly welcomes the inclusion of alternative materials projects, including investments to use new or increased amounts of lower-emission materials that reduce benchmark process emissions.

However, additional clarification and refinement are necessary. CMTA recommends that CARB:

- Establish transparent prioritization criteria if applications exceed available allowances;
- Clearly define how proration will occur if requests surpass available sector allowances;
- Provide detailed application guidance and sufficient lead time for compliance;
- Establish a mechanism for facilities to petition for inclusion of additional qualifying project categories on a case-by-case basis as technologies evolve; and
- Create a reasonable lookback period allowing qualifying capital projects already undertaken in good faith, and still on active depreciation schedules, to be eligible for consideration.

Program Design and Implementation Considerations

The 15-day amendments introduce additional complexity into an already highly technical program. As CARB finalizes these changes, it is critical to ensure implementation remains administratively feasible and does not create unintended compliance burdens.

CMTA encourages CARB to:

- Provide sufficient lead time and clear guidance for regulated entities to adapt to new requirements;
- Ensure that any new definitions, compliance mechanisms, or administrative processes are transparent and consistently applied; and
- Continue robust stakeholder engagement prior to finalizing significant structural changes.

CMTA appreciates CARB's ongoing work to strengthen the Cap-and-Invest Program. However, the proposed 15-Day Amendments should be further refined to ensure they do not undermine leakage mitigation, increase cost volatility, reduce transparency, or discourage industrial investment in California.

Thank you for your consideration and continued engagement with California's manufacturing sector. CMTA and its members remain committed to working with CARB to achieve the State's climate goals in a manner that is both environmentally effective and economically sustainable. Should you have any questions, please email Elizabeth Esquivel at eesquivel@cmta.net

Sincerely,



Elizabeth Esquivel
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California Manufacturers and Technology Association