NAIMA
NORTH AMERICAN INSULATION MANUFACTURERS ASSOCIATION

**Electronic Submission**

May 4, 2026

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: NAIMA's Comments on Modified Text and Availability of Additional Documents and Information for Proposed Amendments to the Cap-and-Invest Regulations and Mandatory Reporting Regulation

Dear Sir or Madam:

INTRODUCTION

The North American Insulation Manufacturers Association ("NAIMA") appreciates the opportunity to submit comments on the California Air Resources Board's ("CARB") Modified Text and Availability of Additional Documents and Information for Proposed Amendments to the Cap-and-Invest Regulations and Mandatory Reporting Regulation – April 13, 2026 ("Plan").

NAIMA is the association for North American insulation manufacturers of fiber glass and mineral wool insulation products. Specifically, NAIMA represents all three fiber glass insulation companies[1] with manufacturing plants in California:

- CertainTeed Corporation – Chowchilla, California
- Johns Manville – Willows, California
- Knauf Insulation – Shasta Lake, California

The cap-and-trade regulation includes NAICS Code 327993 "Mineral Wool Manufacturing." (See, *e.g.*, Table 8-1: "Assistance Factors and Covered Industrial Sectors.") That NAICS code number also includes fiber glass insulation products manufacturing. There is no actual mineral wool manufacturing in California.

In 2016, CARB determined that domestic leakage was relevant and that the fiber glass insulation industry was, in fact, quite vulnerable to such leakage. In response, CARB granted 100 percent assistance factors ("AF") to those fiber glass industry operations participating in the cap-and-trade program. NAIMA notes that in the Modified Text, CARB is not proposing any changes to the 100 percent AFs for fiber glass manufacturing. NAIMA endorses keeping assistance factors at 100 percent.

CARB's 2016 decision was based on sufficient fiber glass insulation production capacity in other state jurisdictions that could adequately supply any production decreases from the California manufacturing plants, which would increase emissions in those other state jurisdictions while

[1] Owens Corning's Santa Clara plant has closed.

decreasing production and employment in California. These same facts continue to be equally relevant today.

In the April 13, 2026 announcement, CARB released Modified Text for amendments to the Cap-and-Invest Regulation and Mandatory Reporting Regulation ("MRR"). These amendments extend the program through 2045, tighten the emissions cap with significant allowance reductions between 2027-2030, and align reporting with new climate disclosure laws.

In the April 2026 amendments, mineral wool manufacturing is treated as an eligible sector for enhanced industry assistance through the new Manufacturing Decarbonization Incentive ("MDI").

Mineral wool facilities are eligible for additional allowance locations if they invest in verified emission-reduction projects. NAIMA supports this part of the amendments in that it effectively increases the number of no-cost allowances a facility receives for the 2028-2035 budget years to offset the costs of decarbonization.

NAIMA supports those provisions that preserve and protect assistance factors and allowances that prevent leakage. NAIMA urges CARB to use prudence and caution in adopting an aggressive acceleration of the total allowance cap reduction. As noted below, NAIMA identifies specific advantages to preserving the status quo that could result in greater economic stability and stronger regulatory predictability and feasibility.

ECONOMIC AFFORDABILITY AND COST CONTAINMENT SHOULD BE GIVEN DUE WEIGHT

*Lower Compliance Costs Benefits Businesses and Consumers*

Maintaining the status quo – specifically a more moderate cap decline rather than an aggressive acceleration – offers several strategic advantages aimed at economic stability and regulatory feasibility.

Sticking to a less aggressive reduction path helps prevent a rapid spike in allowance prices. Sharp price increases can lead to significantly higher costs for businesses and households, particularly in transportation and energy sectors.

A moderate approach helps shield consumers from volatility in gas prices and utility bills, as well as passed along costs from manufacturers, which is a primary concern for lower-income households that spend a larger share of income on these expenses.

*Maintaining the Status Quo Brings Market Stability and Certainty*

A gradual decline provides a "steady and sustained carbon price signal," allowing companies to plan long-term investments in cleaner technologies without the risk of sudden market shocks.

A slower decline ensures that the market stays within designed price corridors (floors and ceilings), preventing the need for emergency regulatory interventions that can destabilize market confidence.

A slower decline also encourages companies to remain in California. California has experienced a notable, accelerating trend of businesses – particularly company headquarters – relocating out of state, with a net loss of 789 headquarters from 2011 to 2021. Major corporations like Chevron, Tesla, Oracle, and Charles Schwab have left, citing high taxes, high cost of living, and strict regulations. These moves resulted in a net loss of 77,600 jobs, representing 3.7% of all headquarters-related jobs.

*A Slower Decline Affords Operational and Regulatory Feasibility*

Regulatory predictability and operational feasibility may be the most important factors that justify NAIMA's advocacy for a slower rate of decline.

Sudden accelerations in regulatory oversight can strain agency resources. Gradual shifts help CARB attract and retain the qualified staff needed for high-quality implementation and data verification.

Maintaining current levels of free allowance allocations (rather than scaling them back immediately) protects California's trade-exposed industries from "leakage," where businesses move operations to states with less stringent regulations.

In the context of the CARB 2026 amendments, acceleration – specifically the aggressive removal of allowances from the cap – poses a high risk of leakage. This occurs when production shifts from California to jurisdictions with weaker climate regulations, resulting in a global net increase in emissions despite California's local reductions.

*Global Warming Potential is Too Low and Unattainable*

Under the mandatory Reporting Regulations modifications, global warming protentional ("GWP") is identified as information manufacturers are encouraged to provide in Environmental Product Declarations ("EPDs") for mineral wool products to support state building decarbonization goals.

The specific product-based benchmark for mineral wool manufacturing under the cap-and-invest program is set at 0.298 metric tons of $CO_2$ per short ton of product. The proposed GWP is too low and is not attainable.

CARB's proposed GWP should be based on real world probabilities.

CARB IS REQUIRED TO CONSIDER LEAKAGE

CARB is legally required to consider domestic leakage (often called "interstate leakage") under the California Global Warming Solutions Act (AB 32). The statute mandates that CARB design regulations to minimize leakage to the "maximum extent feasible" to ensure California's climate progress isn't canceled out by a simple shift in production to neighboring states like Arizona or Nevada, or even transport from locations further away. Section 38562(b)(8) of the Health and Safety Code specifically highlights this obligation.

It is especially important to consider leakage in this rulemaking, as California confronts an affordability crisis. Additionally, California will need all the building products it can get to assist in rebuilding from the fires of early 2025 and to address the housing shortage generally.

Many industry groups argue that CARB's current "benchmarks" for free allocation are too stringent and don't fully account for the rising cost of electricity and natural gas in California compared to the rest of the U.S., which they claim is a form of "cost-driven" domestic leakage.

NAIMA SUPPORTS CARB'S TREATMENT OF "MINERAL WOOL MANUFACTURING"

Under the April 14, 2026 modified text, the mineral wool industry (specifically the manufacturing of mineral wool, industry code 327993) is proposed to maintain a 100 percent industry assistance factor.

As established by AB 398, all industrial sectors, including mineral wool and fiber glass, continue to receive a 100 percent assistance factor through 2030. Under the new Senate Bill 840 extension, CARB has the authority to adjust these AFs after 2030 based on updated leakage risk studies. NAIMA supports these provisions that retain 100 percent assistance factors.

In addition, NAIMA also strongly endorses the critical role that energy efficiency will continue to play in meeting CARB's goals and related goals concerning climate, energy, health, equity, and the environment. Energy efficiency such as achieved through insulation is at the heart of the CARB program.

Thank you for the opportunity to provide comments on the proposed Amendments to the Cap-and-Invest Regulation and Mandatory Reporting Regulation.

If you have any questions concerning NAIMA's comments or desire additional information, please do not hesitate to contact me.

Sincerely,

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