



**To:** Lauren Sanchez  
Chair  
California Air Resources Board

**From:** Michael Mann  
Executive Director  
Clean & Prosperous

**Date:** May 4, 2026

**RE:** (15-day) Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market- Based Compliance Mechanisms Regulation

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Dear Chair Sanchez,

On behalf of Clean & Prosperous (C&P), a Washington state-based organization committed to advancing and expanding effective cap-and-invest programs, we appreciate the opportunity to provide comments in response to the 15-day notice of Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms.

C&P acknowledges the meaningful progress being made towards linking Washington to the California-Québec market. Linkage enhances resilience, affordability, and environmental integrity, ensuring sustained and expanded climate ambition across jurisdictions. Understanding that the California program will continue to evolve, we believe it is essential to continue moving forward with program updates and implementation. To that end, C&P highlights several points below.

**The rulemaking timeline is essential.** While legislative approval to extend the program through 2045 was a milestone, the rule-making timeline to implement the extension is also vital. Without clarity on California's regulatory amendments, linkage and potential linkage partners in the province of Québec and the State of Washington may face their own delays in program updates necessary to strengthen and extend both their programs and linked programs. Timely linkage agreements are an important piece of advancing climate leadership in North America. This is all the more important given federal retrenchment.

**Solidifying and enhancing outcomes of the January ISOR.** Beyond long-term authorization, C&P was encouraged to see important steps advanced in the January Initial Statement of Reasons to which these proposed amendments apply. Among those are updates to the California Climate Credit and implementing the changes that place offsets within or under the cap by retiring allowances equal to offsets turned in for compliance. Placing offsets under the cap, in particular, is a step toward increased environmental integrity.

**Maintaining flexibility through uncertain economic and political conditions.** Alongside placing offsets under the cap, the proposed amendments taken together with the January ISOR, will remove around one billion allowances through 2045. Specifics on post-2030 allowance allocations have been deferred to future consideration, retaining flexibility to respond to emerging developments amid ongoing economic and geopolitical uncertainty.

Balancing near-term affordability with continued environmental ambition is especially challenging at this moment, and we appreciate that CARB is trying to strike a balance in light of the “short-term economic uncertainty caused by federal disruption, loss of federal incentives, global events and volatile market conditions” noted in the April 2026 fact sheet.

Supporting industrial and hard-to-decarbonize sector emissions reductions while limiting the potential for leakage of manufacturing to other, often more emissions-intensive regions, is a common feature of cap programs. CARB has proposed to place up to 118 million allowances from the 2027-2030 budgets, subject to potential utilization and requirements of the Build Up California Allowances (BUCAs), as a Manufacturing Decarbonization Incentive. This approach allows time to formalize and strengthen BUCA requirements while better understanding the implications of BUCA usage.

We are mindful that new program features introduced in one jurisdiction are likely to be considered in other aligned jurisdictions. The flexibility to continue refining BUCA requirements, along with consideration of post-2030 allowance allocations (including industrial assistance factors that may reflect the degree to which BUCAs produce measurable outcomes) as well as ongoing updates to allowance budgets, are important mechanisms CARB can calibrate. Because BUCAs, like offsets prior to this rule-making, are not within the cap but are additional, CARB should carefully ensure the value nexus of BUCA-directed investments. To do this, we encourage CARB to establish clear guidelines that require and rigorously track the nexus between these investments and emissions reductions, as well as important co-benefits such as jobs and affordability.

Long-term solutions for addressing the impact of BUCA utilization could include subjecting BUCAs to equivalent rigor and accountability as offsets (real, permanent, quantifiable, verifiable, and additional); or removing from the post-2030 budget an equal

number of new allowances (or integrating them into an Emissions Containment Reserve) to retain the original stringency of the cumulative emissions cap.

**Leaning into achieving emissions targets.** Washington state entered the carbon market space later than California and Québec, but was able to establish and strongly defend at the ballot, a cap centered on ambitious emissions targets. Cap programs offer the most cost-effective mechanism at scale to achieve such targets. While achieving decarbonization goals at lower costs is a good thing, persistently low market prices risk shifting the performance burden onto higher cost programs while reducing state revenues that benefit communities.

Prices at the floor are consistent with a program in which the market does not determine the price necessary to meet the cap, and therefore a cap that is not guiding additional emissions reductions. By contrast, auction prices that fall between the price floor and ceiling are consistent with a market that is working efficiently and responding to a binding emissions cap.

Recent trends and [modeling efforts](#) indicate that the allowance budgets proposed in the ISOR may not be sufficient to lift auction prices above the price floor in the years ahead. That same modeling suggests that, under a more stringent allowance budget, auction prices would remain well below any containment reserve or price ceiling through 2045 while still providing affordability benefits to California households.

Washington is also currently in the process of adjusting to its cap trajectory by implementing recent legislation (HB 1975) and, through linkage discussions, is weighing similar considerations.

## **Conclusion**

The combination of the ISOR and additional measures included in the proposed amendments sets a clear path towards program clarity in California, progress towards linkage with Washington, and extension in Québec. Maintaining this timeline is critical to the success of these programs across North America.

Continuing to define and ensure a clear nexus of impact for BUCAs, along with maintaining flexibility to respond to local, federal, and global market conditions in a way that keeps the program robust and not tied to the price floor will be essential. C&P encourages CARB to continue prioritizing environmental integrity and market stability through its available mechanisms.