Air Products and Chemicals, Inc.
4000 MacArthur Boulevard, Suite 420, East Tower
Newport Beach, CA 92660

www.airproducts.com

May 4th, 2026

Rajinder Sahota
Deputy Executive Officer for Climate Change & Research
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Comments submitted electronically

RE: Comments Related to Cap & Invest 15-day package Noticed April 14th, 2026

Dear Ms. Sahota,

Air Products appreciates the opportunity to provide comments regarding the recently proposed amendments to the California Air Resources Board's (CARB) rulemaking for the Cap-and-Invest (C&I) regulation. Hydrogen use is key to helping California meet its air quality goals by enabling production of clean transportation fuels, including for zero emission vehicles (ZEVs), and can help reduce greenhouse gas (GHG) emissions in the heavy industrial and power sectors. We again appreciate that CARB has recognized hydrogen's opportunity in the proposed manufacturing decarbonization incentive provisions.

Air Products is the only U.S.-based global industrial gas company and the world's largest hydrogen producer and supplier for use in numerous markets. Within California, the company safely operates 9 hydrogen production facilities covered by the current C&I regulation, approximately 30 miles of hydrogen pipeline and currently supplies and operates hydrogen fueling stations in support of the State's ZEV goals.

Industry Allocation and Leakage Prevention

While we had supported the extension of the 100% assistance factor through 2035 as originally proposed in the 45-Day changes in revised Table 8-1 of §95871, we understand the rationale in the 15-day package of reverting to 2030 based on the leakage study that CARB is progressing. Still, C&I is an important cost driver, and potential decarbonization incentive, for covered facilities, and providing long-term visibility regarding allowance allocation is important to maintaining market certainty and supporting planning and investments. Accordingly, we request that if changes are made in the future to industry assistance factors – and especially if they were to be lowered based on the study – that as much advance notice be given so that the changes and related costs can be accommodated in company operating plans. Most companies operate with at least a 5-year planning horizon, so we would ask for at least that much advance notice prior to any changes in assistance factors.

We appreciate the increases that CARB provided to the cap adjustment factors through 2030, but we continue to encourage CARB to reclassify petroleum refining and associated industrial gas manufacturing to high leakage risk, instead of medium as currently proposed, given that petroleum refineries are already leaving California. We also request that CARB consider additional flexibility in the form of higher caps or other leakage reduction mechanisms to retain this critical energy infrastructure.

We continue to support the retention of the current allocation benchmarks (B_a) for on-purpose hydrogen and liquid hydrogen (industrial gas manufacturing) in Table 9-1 of §95891, and the direct allocation of electricity benchmark units to emission-intense, trade-exposed (EITE) facilities as reflected in the 15-day package amendments.

Definitions

Air Products reiterates our request that CARB modify the definition of "eligible renewable energy resource" in §95802 to reference the list of renewable resources in Public Resource Code (PRC) 25741(a)(1) instead of Public Utilities Code (PUC) 399.12. We believe the intent of this definition is to specifically reference the eligible renewable resources that are listed in 25741(a)(1). The definition in 399.12 references 25741 of the PRC but defines the resources in terms of a facility, which could be interpreted to be limiting because 399.12 includes size, geographic location and grid interconnection restrictions and other requirements for facilities – which we do not believe is intended whenever the C&I regulation uses the term "eligible renewable energy resource" as defined. The definition should focus on the qualifying resources used for generation – not the design or location of the facility.

Manufacturing Decarbonization Incentive Allocation

As mentioned in our previous comments, we strongly support CARB's inclusion of provisions for a manufacturing decarbonization incentive allocation in §95890 (g) to target support for hard-to-decarbonize manufacturing facilities and provide additional leakage protection. We also greatly appreciate the improvements that CARB made to these provisions in the 15-day package amendments including:

- Enabling participation for additional sectors in the program – especially existing hydrogen plants and refineries. By expanding eligibility, CARB incentivizes all facilities to innovate with new emission reduction technology to further the State's decarbonization goals.

- Not limiting the low carbon hydrogen eligibility requirement under §95890(g)(2)(C)(1) to only those entities who have actually received the federal tax credit under 45V.

Transaction Agreement for Compliance Instruments Without Prices

We still support CARB's proposal to clarify the transaction agreements for which transfers of compliance instruments may be reported, but we continue to suggest that CARB not specify the need to include invoice records or broad contractual agreements as part of the tracking system in §95921(b)(7)(A). Unfortunately, the 15-day package proposed amendments did not address this concern. We believe that a transaction agreement that includes a description of the agreement and signed counterparty confirmation is sufficient to substantiate the transaction. Broad contractual agreements may include complex and confidential information that is unnecessary to substantiate the instrument transactions.

Air Products appreciates the opportunity to provide this feedback. Please feel free to contact me by phone (916-860-9378) or email hellermt@airproducts.com.

Respectfully,

Miles Heller
Director, Greenhouse Gas Government Policy