



*Submitted electronically via CARB Comment Portal*

March 9, 2026

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

**Re: CMTA Feedback on Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market- Based Compliance Mechanisms Regulation**

Dear Chair Sanchez and Members of the Board:

On behalf of the California Manufacturers & Technology Association (CMTA), representing manufacturers and technology companies across California, we appreciate the opportunity to comment on CARB's January 2026 Proposed Amendments to the Cap-and-Invest Regulation.

CMTA members include many emissions-intensive, trade-exposed (EITE) facilities that are directly covered by the Cap-and-Invest program. These facilities operate in highly competitive global markets and face increasing cost pressures from energy, labor, logistics, and regulatory compliance. We offer the following comments regarding the proposed changes to the Cap Adjustment Factor (CAF), the Manufacturing Decarbonization Incentive, and the proposed reallocation of allowance value from the California Public Utilities Commission (CPUC) to the California Air Resources Board (CARB).

**1. Cap Adjustment Factor (CAF)**

CMTA does not agree with the proposed amendments to the Cap Adjustment Factor. Rather than minimizing leakage as intended, the proposed 30 percent reduction in CAFs would have the opposite effect, significantly increasing compliance costs for EITE facilities and potentially rendering certain California operations economically unviable. The CAF is a central component of the allocation formula designed to mitigate leakage risk as the cap declines. A substantial downward adjustment, layered on top of tightening allowance budgets, would sharply increase uncovered emissions obligations for manufacturers already competing against out-of-state and international firms that face little or no comparable carbon costs.

To genuinely minimize leakage, CAFs must be set at the highest level necessary to maintain cost parity between California facilities and their unregulated competitors. Any adjustment to CAFs should be grounded in updated, sector-specific leakage analysis

and a transparent assessment of cumulative cost impacts. Without these adjustments, the proposed reduction risks driving production, and the associated emissions, out of state, ultimately undermining both California's economic base and global climate objectives.

## **2. Manufacturing Decarbonization Incentive – Eligible Activities**

CMTA supports the concept of a Manufacturing Decarbonization Incentive to encourage on-site emissions reductions. However, the current list of qualifying activities is too narrow to be fully effective for the diversity of industrial operations covered by the program.

We recommend that CARB expand the list of qualifying activities to include any project that results in a reduction of process emissions, including raw material or feedstock substitution that reduces emissions intensity. Many manufacturing sectors achieve meaningful emissions reductions not only through equipment electrification or fuel switching, but through innovations in inputs, chemistry, and production design. These strategies should be fully eligible for incentive allocation.

In addition, CARB should establish a formal mechanism for facilities to petition for inclusion of additional project types on a case-by-case basis. This would allow the program to adapt to emerging technologies and sector-specific decarbonization pathways, ensuring that the incentive remains flexible, technology-neutral, and innovation-oriented.

## **3. Manufacturing Decarbonization Incentive – Timelines**

The proposed timelines for use of the incentive do not work as written and must be revised. As currently structured, the incentive fails to capture qualifying capital investments made in good faith prior to the incentive's effective date that remain active on a facility's depreciation schedule. Many CMTA members have already made substantial decarbonization investments in anticipation of California's long-term climate trajectory. Excluding these projects creates a disincentive for early action and penalizes facilities that have proactively reduced emissions.

We recommend that CARB establish a reasonable lookback period that extends eligibility to all qualifying projects that remain within their active depreciation schedule. This approach would recognize prior investments, preserve regulatory credibility, and better align incentives with real-world capital planning cycles in manufacturing.

## **4. Allocation Realignment from CPUC to CARB**

CMTA requests that CARB provide a clear and transparent methodology for the proposed reallocation of allowance value from the CPUC to CARB.

As currently proposed, the realignment lacks sufficient detail for affected facilities to determine whether the transition preserves the economic value they receive under the existing CPUC credit structure. Without a detailed explanation of how CPUC credit value and CARB allowance value will be reconciled, EITE facilities cannot accurately assess their future compliance costs or make informed capital planning decisions.

We respectfully request that CARB publish a comprehensive methodology describing:

- How historical CPUC credit value is calculated;
- How equivalent value will be reflected in CARB-administered allocations; and
- How affected entities will be held economically neutral through the transition.

Predictability and transparency are essential for maintaining investment in California's industrial base.

CMTA and its members understand the state's goals to reduce greenhouse gas emissions and climate goals. However, program design must carefully balance ambition with economic competitiveness. Adjustments that significantly increase compliance costs for EITE facilities without clear leakage safeguards risk shifting emissions, and jobs, outside California.

We appreciate CARB's continued engagement with stakeholders and welcome the opportunity to discuss these comments in greater detail.

Sincerely,

A handwritten signature in black ink, appearing to read 'EE', with a stylized flourish.

Elizabeth Esquivel  
Vice President of Government Relations  
**California Manufacturers and Technology Association**