STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0115

California Legislature

March 9, 2026

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

RE: Proposed Cap-and-Invest Regulatory Amendments, Concerns

Dear Chair Sanchez and Board Members:

On behalf of the undersigned Assemblymembers of the California State Legislature representing communities across our state, we urge the California Air Resources Board to reconsider elements of the proposed update that impose disproportionate compliance costs on trade-exposed industries such as fuels, gas, and electricity. Our communities are increasingly concerned that the Cap-and-Invest regulatory update scheduled for adoption in May will further destabilize California's fuel supply, economy, and working families.

As the 4th largest economy in the world, California cannot function without its complex and interconnected energy sectors encompassing fuels, gas, electricity, and other essential energy resources covered under the newly revised Cap-and-Invest program. It is widely recognized that California has entered an unprecedented transition of these sectors placing unique strain not only on industry stakeholders, but also Californian workers and consumers. Mechanisms that protect emissions-intensive, trade exposed industries, including allocations of allowances and the Cap Adjustment Factor, must keep pace with the transition, not recede from it as ambition increases and economic conditions become more difficult.

An energy transition that outpaces infrastructure readiness, market realities, and technological feasibility risks creating chronic supply imbalances and long-term market instability. This proposed regulatory update would further burden an already struggling energy market across multiple sectors and compound stress on the very infrastructure that has punished California consumers with the highest energy prices in the nation.[i]

With the current Cap-and-Invest program and the proposed amendments that will ultimately further disincentive in-state refineries to remain in California, the state will require external supply through out-of-state and international purchases as the largest consumer of jet fuel in the nation and the second-largest consumer of motor gasoline after the state of Texas.[ii] Using the most recent data from 2024, the state imported 63.7 percent of its annual oil supply to California refineries and will continue to rely on external supply as trends in energy transition continues.[iii] When allocation formulas decline faster than viable decarbonization pathways become available the likely outcome is not clean energy investment. It is facility closure and import substitution, with emission, jobs, and economic benefits relocating outside of California.

We are also deeply concerned about the broader economic consequences. These industries support thousands of high-wage, skilled jobs and generate significant state and local tax revenues. Communities that host these facilities rely on them as economic anchors. With regulatory pressures, market volatility, and increased production constraints, California will not be able to sustain its competitive status with the current trajectory of losing 17 percent of its oil refinery capacity over the next 12 months.[iv] Policies that effectively force closures or drive industry out of state will eliminate stable employment, reduce public revenues, and weaken regional economies—without a credible plan to replace those jobs or revenues at scale. To hinge our environmental progress on the back of high-paying, middle class, union jobs is antithetical to our States' progressive values.

We urge the Board to reconsider elements of the proposed update that impose disproportionate compliance costs on trade-exposed industries such as fuels, gas, and electricity. At a minimum, any regulatory changes *must* prevent emissions leakage, avoid sudden cost escalations, and prioritize energy reliability and affordability for California consumers. We are particularly concerned rapid reductions in allocations will accelerate closures without commensurate cost containment and leakage protections being presented in the proposed rulemaking. It is now evident that California's regulatory environment has driven out actors necessary for an affordable energy consumer market. This crisis is not a fallacy nor a thinly veiled threat. It is a reality borne by consumers *today*, who are historically and empirically least able to afford it. California's climate leadership cannot come at the cost of destabilizing our energy markets and burdening those least able to bear it.

Sincerely,

Assemblymember Blanca E. Rubio
48th District

Assemblymember Michelle Rodriguez
53rd District

Assemblymember Jose Luis Solache
62nd District

Assemblymember Stephanie Nguyen
10th District

Assemblymember Lisa Calderon
56th District

Assemblymember Juan Carillo
39th District

Assemblymember James Ramos
45th District

Assemblymember Lori Wilson
11th District

Assemblymember Blanca Pacheco
64th District

Assemblymember Maggy Krell
6th District

Assemblymember Esmeralda Soria
27th District

Assemblymember Tina McKinnor
61st District

Assembly Majority Leader Cecilia Aguiar-Curry
4th District

Assemblymember Anamarie Avila Farias
15th District

Assemblymember Mike Gipson
65th District

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[i] "Why California Usually Pays More at the Pump for Gasoline" U.S. Energy Information Administration (EIA). 5 May 2025.

[ii] "U.S. Energy Information Administration - EIA - Independent Statistics and Analysis." State Energy Data System (SEDS), 2024.

[iii] Annual Oil Supply Sources to California Refineries, California Energy Commission, 2024.

[iv] "*Refinery Closures Present Risk for Higher Gasoline Prices on the West Coast - U.S. Energy Information Administration (EIA)*, U.S. Energy Information Administration, 9 July 2025.