PACIFIC FOREST TRUST

May 4, 2026

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

RE: Comments on Proposed 15-Day Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation

Dear Chair Sanchez and Members of the Board,

Pacific Forest Trust is a nonprofit organization focused on the conservation and stewardship of forests and working lands across California, Oregon, and Washington, with a focus on rewarding landowners for managing for the public benefits of healthy, fully functional forests, including their wood, water, wildlife and climate benefits. We have been deeply engaged in climate policy and forest management for climate resilience and adaptation in California for over 25 years. We submit these comments in response to the proposed 15-day amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation (Cap-and-Invest), released by the California Air Resources Board (CARB) on April 14, 2026.

We respectfully urge the Board to completely reject the proposed 15-day changes. These changes exceed the legal scope of a 15-day notice, contravene the intent of the Legislature, threaten the program's ability to meet California's emissions targets, eliminate funding for critical wildfire resilience and adaptation programs, undermine the offset market, and foreclose the transformative opportunity that the Legislature created in Section 38562.3(D) of SB 840 to build a conservation-based offset program aligned with California's NBS climate targets and 30x30 goals.

I. The Proposed Changes Threaten the Integrity of California's GHG Reduction Goals

California's Cap-and-Invest program is the state's most significant market-based mechanism for achieving its statutory greenhouse gas reduction targets and a model for the nation, and indeed, globally. AB 1207 and SB 840, enacted in 2025, reauthorized the program through 2045 and reaffirmed the state's commitment to achieving at least 40 percent below 1990 levels by 2030. These targets are not aspirational — they are legal requirements under California Health & Safety Code §38566 and §38562.2.

CARB's own Initial Statement of Reasons (ISOR) identified the retirement of at least 118.3 million allowances as necessary to meet the 2030 target. The proposed 15-day amendments reverse this position by reintroducing these allowances into the market through the newly created Build Up California Reserve Account. This change would significantly reduce the program's capacity to drive actual emissions reductions, further oversupply an already price-depressed market, and weaken the carbon price signal. CARB cannot credibly reconcile this proposal with its statutory mandate.

II. The Manufacturing Decarbonization Incentive Is a Major New Policy Proposal That Exceeds the Scope of a 15-Day Notice

The proposed Manufacturing Decarbonization Incentive (MDI) is not a minor technical adjustment or clarification of existing rules. It is a substantial new policy mechanism that would create a new category of compliance instruments outside the emissions cap, extend generous new incentives to industrial emitters including petroleum refiners, and redirect billions of dollars in program value away from the Greenhouse Gas Reduction Fund (GGRF). In fact, it does not appear to be an "incentive" to drive emissions reductions, rather the opposite.

California's Administrative Procedure Act establishes clear procedural requirements for regulatory changes of this magnitude. The 15-day notice process is intended for limited, targeted modifications to a proposed regulation — not for the introduction of new, complex policy structures. Introducing the MDI through a 15-day notice deprives the public, the Legislature, and affected stakeholders of the notice, comment period, and analytical review that such a consequential proposal warrants. The Board should reject the MDI on these grounds alone.

Furthermore, the MDI lacks the accountability and environmental integrity measures that California law requires of compliance instruments. Unlike offset credits under the existing program which must be real, permanent, quantifiable, verifiable, and additional, the MDI *contains no enforceable mechanism* to ensure that participating industries deliver genuine emissions reductions. Authorizing the use of such instruments for compliance purposes without these safeguards would undermine the legal and environmental foundation of the program.

III. The Proposed Amendments Render the Legislative Framework of SB 840 Meaningless

SB 840—signed by the Governor—established a carefully negotiated framework for the ongoing investment of GGRF revenues into critical public programs, including wildfire mitigation, affordable housing, clean transit, safe drinking water, and community air quality initiatives. These appropriations reflect explicit legislative intent to deliver durable benefits to California communities from the program's market revenues.

The proposed MDI and related changes would reduce GGRF revenues by an estimated $2 billion or more annually. At that scale, the continuous appropriations established under SB 840 would be effectively zeroed out. The Legislature did not authorize — and could not have contemplated — regulatory changes that would so fundamentally hollow out the funding structure it created and the Governor agreed to. Adopting these changes through a 15-day notice process, without legislative review or additional public analysis, is inconsistent with the intent and scope of the 2025 legislative framework and raises serious questions about the legal authority for these amendments.

V. The MDI Undermines the Existing Offset Program, Devalues Nature-Based Solutions, and Forecloses a Significant Legislatively Directed Opportunity

California's Compliance Offset Program is the country's most significant nature-based climate finance mechanism. Forest projects have provided the largest share of offset credits, generating carbon sequestration, watershed protection, and economic opportunity for landowners — including Tribal nations—to restore greater and lasting carbon sequestration. While there is room for improvement, the program's integrity rests on a legally mandated standard: credits must be real, permanent, quantifiable, verifiable, and additional. That standard is the foundation on which regulated entities, project developers, and forest landowners have made long-term investment and stewardship decisions.

The MDI would introduce a parallel class of compliance instruments that does not meet these standards — allowances issued to industry without the verification, permanence, or additionality requirements that offset credits require. As members of the Legislature have noted, the MDI resembles the existing offset program in structure but without the accountability measures required by law. By flooding the market with additional no-cost compliance instruments, it would suppress the carbon price and reduce demand for offset credits, starving nature-based solutions of the private capital they depend on. If the goal of the MDI is to lower compliance costs, then CARB should take the opportunity which SB 840 directed it to do, which is evaluate and add additional offset mechanisms that meet compliance standards.

However, the proposed MDI actually forecloses this opportunity to lower costs while still achieving the desired impact of actually, credibly and permanently lowering emissions. Section 38562.3 of the Health and Safety Code, added by SB 840, directs CARB to report to the Legislature by December 31, 2026 with an evaluation of several aspects of the offset program, including recommendations for "alternative valuation methodologies or criteria for in-state offset projects, particularly projects that support the goals" of California's Nature-Based Solutions Climate Targets (H&SC §38561.5) and its 30x30 biodiversity conservation strategy (PRC §71450(b)). This provision reflects a deliberate legislative judgment that the offset program should do more to direct co-benefits — cleaner water, wildfire resilience, protected biodiversity, sustained rural jobs — to California rather than exporting them to other states.

That mandate opens the door to a fundamentally better model than the existing offsets alone do. Pacific Forest Trust has urged CARB to use the SB 840 report to evaluate a state-directed, conservation easement-based offset program — Nature-Based Climate Credits (NBCCs) — in which the state selects projects rather than leaving siting and overarching co-benefit quality to the private market. State agencies, in partnership with accredited land trusts, would identify conservation easements on working forests, agricultural lands, and rangelands that deliver maximum strategic benefit to California. The resulting credits would meet all existing legal standards — real, quantifiable, verifiable, permanent, and additional — while being designed to prioritize wildfire resilience, ecological connectivity, watershed protection, and 30x30 conservation goals that the current market-driven program cannot systematically target. A self-sustaining revolving fund structure would recycle sale proceeds into new easements, restoration and adaptation, building a durable engine of in-state nature-based climate investments.

The MDI, introduced through a 15-day notice before that study is complete would further suppress carbon prices and undermine the market demand that makes any conservation-based offset program viable — foreclosing the legislative opportunity before CARB has had a chance to fulfill the mandate the Legislature assigned to it. CARB should reject the MDI and direct its offset reform efforts to the SB 840 study process, where they belong.

IV. Reduced GGRF Revenue Will Eliminate Funding for Wildfire Risk Reduction, at Great Cost to California

Among the programs that would be defunded under this proposal is the state's investment in wildfire resilience and forest health. California faces an escalating wildfire crisis. The economic costs of catastrophic wildfires — including property destruction, destabilization of insurance and real estate markets, public health impacts, infrastructure damage, degradation of the state's critical watersheds, and carbon releases— are borne disproportionately by rural communities and low-income households, as well as the state as a whole.

GGRF-funded programs have supported fuels reductions, prescribed fire, and community preparedness investments that are essential to reducing wildfire risk. Draining the GGRF to fund industrial subsidies with no guaranteed emissions reductions would eliminate or severely curtail these investments precisely when the need is greatest. This is a direct and foreseeable harm to Californians' health and safety, our forest ecosystems, and the communities that depend on them — and it runs counter to the state's own goals for forest carbon sequestration and climate resilience.

Healthy forests are not only a fire risk mitigation tool; they are California's largest, most immediate and cost-effective natural climate solutions. Weakening the policy and funding infrastructure that supports forest stewardship is completely counterproductive.

Conclusion

Pacific Forest Trust urges the Board to reject the proposed 15-day amendments, including the Manufacturing Decarbonization Incentive and the Build Up California Reserve Account.

We respectfully request that CARB return to a rulemaking process that affords adequate public review for any proposal of this scale and consequence. We remain committed to working constructively with the Board, the Administration, and stakeholders to advance policies that credibly and affordably achieve the state's climate policies and goals, deliver lasting, myriad public benefits and reduce the risks of climate exacerbated natural disasters such as catastrophic wildfire.

Sincerely,

Laurie A. Wayburn

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Pacific Forest Trust