



March 6, 2026

Ms. Lauren Sanchez  
Chair, California Air Resources Board  
1001 "I" Street  
Sacramento, California 95814

Via: <https://ww2.arb.ca.gov/lispub/comm/bclist.php>

**Subject: California Construction & Industrial Materials Association (CALCIMA) Comments on Proposed Cap-and-Invest Regulations**

Dear Chair Sanchez and Members of the Board:

CALCIMA is the statewide voice of the construction and industrial materials industry. Our members operate more than 500 facilities throughout California producing aggregate, ready-mixed concrete, cement, asphalt, industrial minerals, and precast construction products. These materials are foundational to California's infrastructure, housing, and economic development.

We appreciate the opportunity to comment on the proposed amendments to the Cap-and-Invest program. The structure of the program is critical to both California manufacturing and the state's ability to demonstrate viable pathways for the decarbonization of emissions-intensive industries such as cement production.

**Legislative Purpose of California's Climate Program**

The Legislature established California's climate framework not only to reduce emissions within the state but also to demonstrate pathways for reducing global emissions from major industrial sectors. The statute recognizes that actions taken by California can encourage other states, the federal government, and other nations to adopt similar measures. It further notes that investing in innovative technologies provides California an opportunity to take a global economic and technological leadership role in reducing greenhouse gas emissions.

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Achieving that leadership depends on maintaining emissions-intensive industrial production within California while those sectors develop and deploy technologies capable of eliminating process emissions. The Cap-and-Invest program plays a central role in that effort by providing leakage protection while California facilities invest in new technologies.

## Statutory Framework for Leakage Protection

The program's leakage protections exist to prevent the loss of California industrial production to jurisdictions with weaker climate policies.

State law defines "**leakage**" as:

*"a reduction in emissions of greenhouse gases within the state that is offset by an increase in emissions of greenhouse gases outside the state."*

The Legislature also directed the Board to design regulations in a manner that **minimizes leakage** and considers the contribution of each industrial sector to statewide emissions.

Within the Cap-and-Invest program, an **allowance** is defined as:

*"an authorization to emit, during a specified year, up to one ton of carbon dioxide equivalent."*

Allowances therefore function as authorizations for emissions **within California**, and the allocation framework is intended to support sectors whose emissions occur in the state and face leakage risk.

## Leakage Risk Created by SCM Allocation Structure

The proposed regulatory language governing allowance allocation for supplementary cementitious materials (SCMs) appears to unintentionally create a pathway that could undermine the program's statutory objective of minimizing emissions leakage.

The relevant provision defines the activity metric "**Oa, t-2**" for finished cement as including SCMs produced by covered or opt-in covered entities:

*"For SCMs used by a non-cement manufacturing facility to make Finished Cement, 'Oa, t-2' includes the quantity of SCMs reported by the SCM producer minus the quantity of SCMs reported by cement manufacturers to make Finished Cement."*

Because SCM producers may qualify as **opt-in covered entities**, this structure creates a potential pathway for allowance allocation associated with cement production to be attributed to facilities whose direct emissions do not occur within California. **SCM production is not one of the industrial sectors identified as emissions-intensive and trade-exposed under the Cap-and-**

**Invest program and therefore not one of the sectors the program’s leakage protections were authorized to support. Allocation associated with SCM use should therefore remain limited to covered cement manufacturing facilities.**

The definition of **producer** in the regulation is broad:

*“Producer” means a person who owns, leases, operates, controls, or supervises a California production facility.*

This definition is not tied to significant direct greenhouse gas emissions. As written, facilities engaged primarily in grinding, blending, or processing imported materials could qualify as producers if the activity occurs at a California production facility.

Under §95811, an entity eligible to opt into the program may qualify through a variety of covered processes or stationary combustion sources. Because entities that operate listed processes but remain below the program’s inclusion thresholds may voluntarily opt into the program under §95813, facilities with comparatively small emissions sources, a back-up generator, could qualify as opt-in covered entities. In practical terms it is not difficult to envision grinding or blending facilities with minimal stationary combustion sources, or even facilities largely powered by electricity, qualifying for program participation utilizing imported feedstocks.

However, such facilities do not address the core emissions challenge the Cap-and-Invest program was designed to solve. Blending supplementary cementitious materials enables existing clinker production to go further, but it does not reduce the process or combustion emissions associated with clinker production itself. The allowance and allocation framework was designed around addressing those process and combustion emissions.

## **Potential Consequences for Industrial Leakage Protection**

The Cap-and-Invest allocation framework exists to address emissions leakage for emissions-intensive, trade-exposed industries such as cement manufacturing. These allocations are intended to protect domestic production while California facilities invest in technologies capable of eliminating process emissions.

If allowance value becomes associated with SCM materials whose production emissions occur outside California, the program risks shifting leakage protection away from California manufacturing and toward downstream blending activities. In that scenario, emissions associated with the material production occur outside California while allowance value tied to cement production is effectively attributed to in-state processing activities with comparatively minimal emissions.

This outcome would be inconsistent with the statutory objective of minimizing leakage and maintaining California’s industrial sectors as platforms for technological decarbonization.

## **Importance of Supporting Cement Decarbonization**

Cement manufacturing represents one of the most challenging sectors for industrial decarbonization due to unavoidable process emissions from calcining. California’s climate framework provides an opportunity to demonstrate how cement plants can transition to net-zero production through innovations such as alternative fuels, process redesign, and carbon capture technologies.

This demonstration is critically important in a global context. More than **97 percent of global cement production occurs outside the United States**, and global production exceeds **4 billion tons annually**. California’s ability to influence global emissions depends on successfully demonstrating how emissions-intensive industrial processes can be transformed while maintaining domestic production.

Supplementary cementitious materials play an important role in reducing clinker intensity and improving the efficiency of cement use. However, SCMs are supplements to cementitious systems, not substitutes for the underlying cement binder required in concrete production. Their use alone cannot eliminate the need for cement manufacturing or the decarbonization of cement plants.

## **Recommendation**

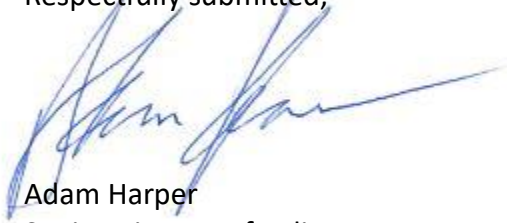
CalCIMA respectfully requests that CARB review the proposed allocation framework to ensure that allowance allocation associated with cement production remains aligned with the industrial sector bearing the emissions and facing the risk of leakage. Our reading of the rule indicates that facilities such as the ORCEM “green cement” plant that was proposed in Vallejo would be eligible for allocations under this proposal. It was a grinding and blending facility.

Allocation should continue to support the transition of California cement plants toward net-zero production rather than unintentionally incentivizing allocation structures tied to materials whose associated emissions occur outside the state and are simply blended or mixed within the state.

California’s climate program should demonstrate how emissions-intensive industries can decarbonize while maintaining domestic production, not create accounting structures that shift emissions outside California while reducing reported emissions within it.

We appreciate the Board's consideration of these comments and look forward to working with CARB to ensure the Cap-and-Invest program continues to advance both California's climate objectives and the long-term viability of domestic manufacturing.

Respectfully submitted,



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