

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0002
(916) 319-2002
FAX (916) 319-2102

DISTRICT OFFICE
50 D STREET, SUITE 450
SANTA ROSA, CA 95404
(707) 576-2526
FAX: (707) 576-2297

E-MAIL
Assemblymember.Rogers@assembly.ca.gov



COMMITTEES
BUDGET
COMMUNICATIONS AND
CONVEYANCE
TRANSPORTATION
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WATER, PARKS, AND WILDLIFE
BUDGET SUBCOMMITTEE NO. 4 ON
CLIMATE CRISIS, RESOURCES,
ENERGY, AND TRANSPORTATION

May 26, 2026

Steven Cliff Executive Officer
California Air Resources Board 1001 I Street
Sacramento, CA 95814
Lauren Sanchez, Chair California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Concerns Regarding Proposed 15-Day Amendments to Cap-and-Invest — Impacts on Offset Program and Nature-Based Solutions

Dear Executive Officer Cliff and Chair Sanchez,

I write to share concerns about the proposed 15-day amendments to California's Cap and Invest Regulation, released April 14, 2026. Stakeholders and members of the Legislature have raised a wide range of serious objections to these proposed changes — including the significant risk that the Manufacturing Decarbonization Incentive would drain billions of dollars annually from the Greenhouse Gas Reduction Fund, eliminating the ongoing investment in wildfire resilience, safe drinking water, and other public programs that the Legislature carefully established in SB 840. Those concerns are well-documented and have been communicated to the Board extensively.

This letter focuses on a related but distinct set of concerns: the impact of these proposed amendments on the vitality and opportunities to improve California's offset program, and the risk they pose to the state's ability to advance the state's Nature-Based Solutions and biodiversity conservation goals through the cap-and-invest program.

The Offset Program Is the Backbone of California's Nature-Based Climate Finance

California's Compliance Offset Program is the nation's most significant market-based mechanism for directing private capital toward nature-based climate solutions. Forest offset projects have generated carbon sequestration, watershed protection, and sustained economic opportunity for landowners — including Tribal nations in my district — who manage working landscapes for long-term carbon storage. The program's integrity rests on a legally mandated standard: credits must be real, permanent, quantifiable, verifiable, and additional.

I am concerned that the proposed amendments would introduce a parallel class of compliance instruments — through the Manufacturing Decarbonization Incentive — that does not meet these standards. By making available additional low-cost or no-cost compliance options that are not subject to the same verification and additionality requirements as offset credits, the proposed changes would suppress carbon prices and reduce demand for offsets.

The Legislature Directed CARB to Improve and Expand the Offset Program — Not Undermine It

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 the offset program and recommendations for alternative valuation methodologies for in-state offset projects — particularly those that advance California's Nature-Based Solutions Climate Targets and 30x30 biodiversity conservation strategy. This provision reflects legislative perspective that the offset program should do more to direct co-benefits to California, and CARB should chart a path toward a more strategically designed, in-state conservation offset model.

Vastly expanding the MDI in the 15-day notice will likely suppress the carbon prices that make any conservation-based offset program viable, and potentially undermine the very opportunity the Legislature intended to elevate. I urge the Board to make a clear commitment to advancing this complementary approach of a new conservation-based offset that advances state Nature-Based Solution targets, including supporting greater landscape resilience to fire and extreme weather events.

Requests for Board Direction

I believe the Board, and by extension the Legislature, would benefit from ongoing information about the health of the offset market and its role in the cap-and-invest program. In addition, given the potential impacts to the offset market from the pending regulatory update the Board should recommit to developing an in-state, conservation-based offset focused on advancing broader state climate goals, as outlined in HSC §38562.3(a). Specifically, I respectfully request that the Board address these issues as part of its resolution on this rulemaking:

- Regular reporting on trends in allowance and offset pricing, given the addition of the MDI allowances.
- Commitment to describing the process and timeline whereby ARB could adopt a new type of in-state offset that advances the state's 30x30 conservation goals and Nature-Based Solution Targets while securely and durably sequestering carbon consistent with the existing legal standard.

Regular reporting on offset market dynamics (as well as allowance value) will help all of us understand the secondary effects of the program changes. And clear indications of how the Board intends to advance the conservation-based offset concept will help reassure the Legislature that the Board intends to pursue this opportunity — reassurance that is particularly important given current Legislative frustrations around this regulatory update.

I appreciate the Board's attention to these concerns and look forward to continued engagement on how California's cap-and-invest program can best serve our climate, conservation, and community goals.

Sincerely,



CHRIS ROGERS
Assemblymember, District 2