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JOINT LEGISLATIVE COMMITTEE ON  
CLIMATE CHANGE POLICIES

March 9, 2026

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

Dear Chair Sanchez and Members of the Board,

I write to you as Chair of the Assembly Committee on Utilities and Energy and as a member of the Joint Legislative Committee on Climate Change Policies. The Cap-and-Invest program is a critical element of California's climate strategy. I appreciate the Board's ongoing work developing the emissions reduction framework established by AB 1207.

In addition to the comments in my joint letter with Chair of the Joint Legislative Committee on Climate Change Policies, Assemblymember Jacqui Irwin, I submit these comments to address three issues of particular importance as this rulemaking proceeds: managing the mid-transition to protect consumers and stabilize in-state fuel supply; safeguarding the workers and frontline communities who will bear the most acute impacts of this transition; and ensuring the Cap-and-Invest program accounts for carbon capture, utilization, and sequestration technologies essential to meeting our climate targets.

### **Managing the Mid-Transition to Protect Consumers and Stabilize In-State Fuel Supply**

California is leading a global transition from fossil fuels to a clean energy economy. We are in the "mid-transition" phase<sup>1</sup> – although demand for the incumbent petroleum-based fuels is declining, demand remains substantial as clean alternatives continue to scale. Even under California's most ambitious decarbonization scenario, residual petroleum demand is expected to persist through 2045.<sup>2</sup>

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<sup>1</sup> Grubert, Emily, and Sara Hastings-Simon. "Designing the Mid-Transition: A Review of Medium-Term Challenges for Coordinated Decarbonization in the United States." *Wiley Interdisciplinary Reviews: Climate Change* 13, no. 5 (2022): e768.

<sup>2</sup> Saha, Devashree, et al. "In a Clean Energy Future, What Happens to California's Thousands of Oil Refinery Workers?" World Resources Institute, March 27, 2024. <https://www.wri.org/insights/ca-oil-refineries-just-transition>

Recent refinery closures have exacerbated an imbalance of in-state supply and demand which has increased dependence on imports of oil and gas. This represents a serious vulnerability for our economy, our energy security, and our constituents.

Under these draft regulations, in-state refiner obligations will increase, making it more difficult for in-state refiners to compete with importers who are exempt from stationary cap-and-invest obligations. This uneven playing field will hasten the closure of California refineries, significantly decrease in-state capacity, and increase reliance on imported fuels.

Because of these vulnerabilities, I urge CARB to consider moving the stationary emission obligations of refineries into the mobile fuel obligations. A new stationary mobile emission factor can then be used as the basis for the ‘Cap-at-the-Rack’ calculation, which would socialize refinery stationary compliance costs and add importer’s volumes to the calculation.

This approach would stabilize in-state refineries by making them more competitive relative to imports and prevent emissions leakage, while preserving the Greenhouse Gas Reduction Fund and protecting the jobs of thousands of Californians in the oil and gas industry. It is also essential that any change in cost allocation be coupled with operational commitments from refinery operators to ensure supply stabilization throughout the mid-transition.

This rulemaking is an opportunity to explore ways to minimize mid-transition risks through design of the cap-and-invest program itself. I encourage you to consider all options to level the playing field for in-state supply to the extent it is beneficial to Californians and maintains our commitment to the phase-out of fossil fuels.

### **Safeguarding Workers and Frontline Communities Through the Mid-Transition**

The Cap-and-Invest program can and should be designed to support an orderly transition that centers workers and frontline communities. Program design choices, including allowance allocation, cost containment mechanisms, and treatment of industrial emissions, should reflect the reality that maintaining the safety and reliability of existing infrastructure during the transition is not a concession to the status quo, but a prerequisite for protecting the workers and communities that are most directly affected.

Experienced refinery workers are already leaving California for other markets, and the state’s ability to maintain safe, reliable fuel supplies depends on retaining that workforce through the transition. Proactive job transition support and clear expectations around maintenance investment at legacy facilities will be important complements to the regulatory framework.

## **Carbon Capture, Utilization, and Sequestration in the Cap-and-Invest Program**

As part of this regulatory update, CARB should ensure that the Cap-and-Invest program supports carbon capture, removal, utilization and sequestration (CCUS) technologies that California will need to meet our climate goals. CARB's 2022 Scoping Plan<sup>3</sup> includes CCUS and targets 100 million metric tons of emissions reductions by 2045. The Legislature has similarly recognized this need through Senate Bill 905,<sup>4</sup> which directs CARB to establish a Carbon Capture, Removal, Utilization and Storage Program.

California companies are making significant investments to deploy CCUS projects in the state that will deliver key climate benefits while supporting an affordable transition to lower-carbon alternatives. However, the Cap-and-Invest Program does not currently include the regulatory provisions necessary to account for and credit the emissions reductions these projects will deliver. The draft regulations currently contain only a placeholder on this issue. Regulations should include specific accounting language that specifies how emissions reductions resulting from CCUS would be counted and assigned to the appropriate entity with a compliance obligation, consistent with the reporting framework already used under the program.

CARB's implementation of Senate Bill 905 is well behind schedule. SB 905 implementation should not serve to delay inclusion of CCUS in the Cap-and-Invest program—both regulatory actions must proceed without further delay.

This is a pivotal moment for California. As climate disasters continue to ravage communities across our state, we recognize that the cost of inaction is enormous. California must get this transition right.

That means recognizing the vital importance of both building our clean energy future and meeting the energy needs of the Californians we serve today. I look forward to engaging with the Board as this rulemaking proceeds and welcome the opportunity to discuss these issues further.

Sincerely,



Assemblywoman Cottie Petrie-Norris  
California's 73rd Assembly District  
Chair, Assembly Committee on Utilities and Energy

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<sup>3</sup> California Air Resources Board, *2022 Scoping Plan for Achieving Carbon Neutrality*, December 2022. <https://ww2.arb.ca.gov/our-work/programs/ab-32-climate-change-scoping-plan/2022-scoping-plan-documents>

<sup>4</sup> Senate Bill 905 (Caballero, Chapter 359, Statutes of 2022), codified at Health & Safety Code §§ 39741–39741.4.