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May 4, 2026

Rajinder Sahota  
Deputy Executive Officer, Climate Change & Research  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

**Re: Proposed 15-day Amendments to the California Cap on Greenhouse Gas Emissions and Market-based Compliance Mechanisms Regulation**

Dear Ms. Sahota:

The Nature Conservancy (TNC) writes to provide comments on the 15-day Amendments to the Regulations for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms.

TNC is a science-based organization that works worldwide to deliver conservation solutions that benefit both people and nature. Our mission is to conserve the lands and waters upon which all life depends, and climate change is a leading threat to this mission. For the past two decades, we have been applying our science, policy, and economic expertise to advance nature as a climate solution. We have been working on the Cap-and-Invest Program (formerly known as the Cap-and-Trade Program) since its inception and have engaged in public processes to provide our policy and scientific expertise in support of the Program. Last year, we advocated for the reauthorization of the Cap-and-Invest Program and engaged with the Administration and Legislature to ensure the extension of this important Program. We strongly support the State's ambitious 2030 and 2045 climate goals and believe that the Cap-and-Invest Program is a crucial tool to meet them.

With this in mind, we offer the following constructive comments in response to the California Air Resource Board's (CARB) 15-Day Amendments to the Program:

**TNC supports the suggested changes in the sequestration offset provisions for clarity and suggests guidance be developed in the future to clarify how liability may be assigned among forest owners**

TNC appreciates CARB's efforts to provide further clarifications to the sequestration offset provisions. Overall, they provide the direction needed in areas that were confusing or inconsistent. The adjustments to the language in section 95975.1(c) that clarify that liability for lack of adherence to the notice and disclosure requirements applies to forest project owner(s), and not just Offset Project Operators, highlights the need and opportunity for additional guidance on how forest owners may assign liability for offset responsibilities when there is more than one forest owner currently or in the

future. We encourage CARB to consider including this kind of guidance in future regulatory proceedings and updates to the offset protocols.

**TNC requests that CARB fully consider options to ensure that the Manufacturing Decarbonization Incentive (MDI) does not compromise the cap and attainment of the State's 2030 greenhouse gas reduction goal**

TNC supports the Cap-and-Invest Program as a market-based approach and tool to reduce greenhouse gas emissions (GHG) cost effectively, and we appreciate CARB's adherence to this principle. The legislative package enacted in 2025 to reauthorize the Cap-and-Invest Program includes direction to CARB to update the Program to ensure that it reduces greenhouse gas emissions, prioritizes affordability, maximizes cost effectiveness, mitigates emissions leakage, and avoids adverse impacts on industrial competitiveness. We acknowledge the complexity of this task, particularly amidst federal uncertainty and volatile market conditions, and we appreciate CARB staff's efforts to balance these priorities.

We recognize that the intent of the Manufacturing Decarbonization Incentive (MDI) is to serve as a tool to support cost effectiveness and encourage covered entities to invest in decarbonization technologies and activities to accelerate emission reductions. At the same time, recent analyses<sup>1</sup> of the MDI by the [Environmental Market Lab](https://emlab.ucsb.edu/sites/default/files/documents/2026_capinvest_manufacturing_decarbonization_incentive.pdf) at University of California Santa Barbara suggest that this mechanism, if fully utilized, could undermine the State's 2030 goals by adding additional emissions allowances beyond the 2030 cap, and could significantly reduce Cap-and-Invest auction revenue that could fund important activities, such as nature-based solutions and wildfire resilience, through the Greenhouse Gas Reduction Fund. A range of suggestions have been offered to address this issue, including the addition of a requirement that utilization of the MDI be contingent on achievement of verified GHG reductions.<sup>2</sup> We ask CARB to consider these options fully to ensure that the Cap-and-Invest Program remains an effective backstop for achieving the State's GHG goals and continues to provide funding to support investments in wildfire resilience.

Additionally, we acknowledge CARB's commitment to monitor, evaluate, and report publicly on the use of the proposed MDI and statewide emissions trends to ensure that the State remains on track to achieve our climate targets<sup>3</sup>. If the regulatory amendments ultimately include the use of the MDI and should usage of the MDI approach a level that could compromise California's achievement of our 2030 GHG

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<sup>1</sup> Meng, Kyle and Wingenroth, Jordan. "Potential Lost Cap-and-Invest Revenue Under the Manufacturing Decarbonization Incentive" Environmental Markets Lab, UC Santa Barbara April 2026, [https://emlab.ucsb.edu/sites/default/files/documents/2026\\_capinvest\\_manufacturing\\_decarbonization\\_incentive.pdf](https://emlab.ucsb.edu/sites/default/files/documents/2026_capinvest_manufacturing_decarbonization_incentive.pdf)

<sup>2</sup> Fowle, Meredith. "A Stress Test for California Carbon Pricing" *Energy Institute Blog*, April 27, 2026, <https://energyathaas.wordpress.com/2026/04/27/a-stress-test-for-california-carbon-pricing/>

<sup>3</sup> California Air Resources Board (2026). "Manufacturing Decarbonization Incentive Fund – Frequently Asked Questions". [https://ww2.arb.ca.gov/sites/default/files/2026-04/nc-MDIF%20FAQ\\_April%202026.pdf](https://ww2.arb.ca.gov/sites/default/files/2026-04/nc-MDIF%20FAQ_April%202026.pdf).

goals, we urge CARB to make regulatory adjustments to the Cap-and-Invest Program to ensure the State meets our 2030 goal.

Thank you for your consideration of our comments, and we would be happy to follow up with more information. We look forward to continuing to engage with CARB staff on future regulatory processes related to the Cap-and-Invest Program. If you have any questions, please contact Megan Cleveland at [Megan.Cleveland@tnc.org](mailto:Megan.Cleveland@tnc.org) or Michelle Passero at [MPassero@tnc.org](mailto:MPassero@tnc.org).

Sincerely,

A handwritten signature in black ink that reads "Megan Cleveland". The signature is written in a cursive, flowing style.

Megan Cleveland  
Senior Policy Advisor  
**The Nature Conservancy**