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Ms. Lauren Sanchez
Chair, California Air Resources Board (CARB)
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Comments on CARB’s Cap-and-Invest Rulemakings: 1) *Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation*, 2) *Mandatory Reporting of Greenhouse Gas Emissions*

Dear Ms. Sanchez:

National Cement Company of California (NCC) appreciates the opportunity to provide comments on CARB’s two rulemakings regarding Cap-and-Invest. Given the shared overlap, this letter addresses both together: 1) *Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation,* and 2) *Mandatory Reporting of Greenhouse Gas Emissions.*

As background, NCC operates a cement plant in Lebec, California, in southern Kern County. NCC has produced cement at this location for over 60 years. Cement produced at Lebec is shipped to concrete customers throughout California – from the Central Valley to Southern California. Our customer base includes our own concrete division, as well as third-party concrete producers, which use our cement to support housing development, new infrastructure, and commercial development of all kinds.

NCC is leading the California cement industry toward carbon neutrality. We have the highest usage of alternatives to fossil fuels, the highest usage of substitutes for clinker (the carbon-intensive raw material in cement), and, to address remaining emissions, we are in predevelopment for a first-of-a-kind carbon capture project.

We provide these comments in addition to the comments we have submitted via the Coalition for Sustainable Cement Manufacturing & Environment (CSCME), which represents all five cement producers located in California.

Our comments hereafter are grouped in two categories. First, in the context of Lebec Net-Zero, our first-of-kind project for the cement industry. Then, to emphasize key issues affecting NCC and the entire California cement industry.

1. Lebec Net-Zero, a critical demonstration project for the cement sector

In April 2024, NCC was awarded $500 million from the U.S. Department of Energy (DOE) to develop the Lebec Net-Zero (LNZ) project. To support this first-of-a-kind project, the grant award is structured as a public-private partnership with a matching funds requirement for NCC.

By reducing both process and fuel emissions and capturing residual emissions, LNZ would become one of the first net-zero cement plants in the world and would demonstrate the path to carbon neutrality in the cement industry. LNZ has a three-pronged approach:

1. Replace clinker with lower-carbon alternative raw materials (calcined clays) to produce limestone calcined clay cement (LC3).
    - The Lebec plant currently produces Portland Limestone Cement (PLC, also known as Type IL) which uses up to 15% limestone as a substitute for clinker. LC3 cement can deliver multiple times more clinker reduction than PLC.
    - NCC has secured initial market interest for LC3 cement.

2. Replace fossil fuel with locally sourced biomass fuel from agricultural waste.
    - The project aims to use 70% alternative fuels by its completion.

3. Capture and sequester the plants remaining GHG emissions.
    - CO_2 will be captured on-site and transported to an off-site geological sequestration site in Kern County.

Carbon capture is a significant share of the overall project budget, and the DOE funding is critical to de-risk the project and build economies of scale for the broader cement sector. Importantly, the adoption of a Border Carbon Adjustment (BCA) in California is a condition of the funding agreement, as the project's economics would be undermined by the absence of a level playing field.

In December 2024, the award was finalized into a funding agreement executed between NCC and DOE. In May 2025, however, DOE informed NCC of an intent to terminate the funding agreement. Although this has created uncertainty on the timing and path forward for the LNZ project, the need for a BCA remains. If federal funding does get restored, the project will be unable to proceed in the absence of both federal funding and a BCA.

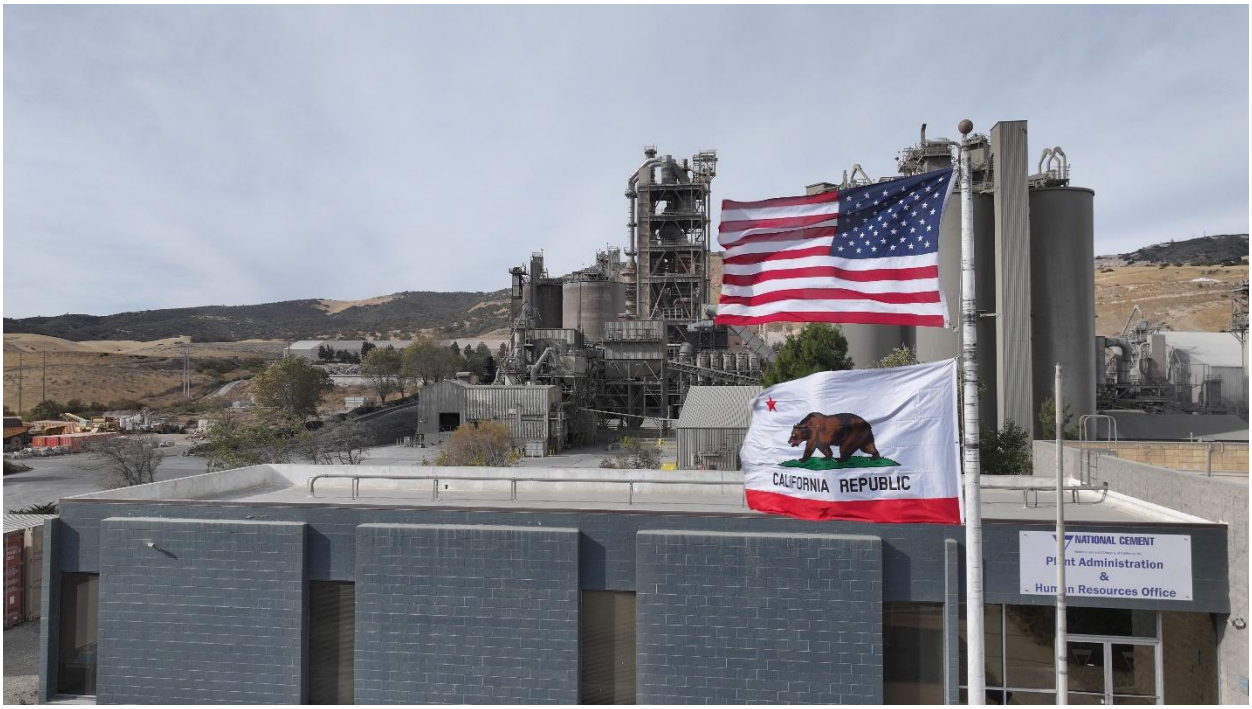
The LNZ experience is highly relevant to this rulemaking process. It demonstrates that the California cement industry is committed to reaching net carbon neutrality, but CARB must create the conditions necessary to support large-scale, capital-intensive investments in deep decarbonization. Those conditions include:

1. Implementing a BCA to close the carbon loophole with imports.

2. Ensuring that policies do not cause capital to flow out of the cement industry at precisely the moment it is needed to support deep decarbonization investments.

3. Co-investing in deep decarbonization projects on terms that align with the realities of the cement industry.

Ultimately, predictable and supportive policies backed by durable commitments will be essential to achieving net carbon neutrality in the California cement industry.



National Cement Company's cement plant in Lebec, CA, home of the LNZ demonstration project.

2. Essential recommendations for CARB to address

- **Commit to implementation of a Border Carbon Adjustment for the cement sector, with a specific timeline.**

Fundamentally, each year moving forward under Cap-and-Invest without an incremental BCA makes NCC and the California industry even less competitive against imports. It is unfair that our Cap Adjustment Factor (CAF) continues to decline while this fairness gap continues to widen. It is impossible for NCC and the California industry to commit to meaningful step-change investments without protection against imports via a BCA. We urge CARB to commit to specific timelines to implement a BCA for the cement sector. For extensive supporting detail and rationale, please see the CSCME comment letter.

- **Adopt a components-based approach to apply reporting requirements on cement importers, rather than a single default value of carbon-intensity.**

CARB's proposal to apply reporting requirements on the carbon-intensity of imported cement is positive development toward leveling the playing field.

However, CARB's proposal to use a single Cement GHG Emissions Intensity of 0.758 MT CO_2e/short ton of cement, in the absence of facility-specific data, is problematic. (MRR Regulation, Appendix A-1, pages 208-210)

It is unclear how this methodology is derived, and it ignores a components-based approach accounting for each significant factor of cement production. CARB has this data available via CSCME's current and prior submissions, and as documented in CARB's Draft SB 596 Net-Zero Cement Strategy published in 2025.

- **Expand eligibility of the Manufacturer Decarbonization Incentive (MDI) Program**

MDI, as proposed, is a great start for supporting deep decarbonization technologies and investments.

To maximize the benefits of MDI, CARB should: 1) expand the project types to address carbon capture, and 2) expand eligibility to project development (capital expenditures) and procurement (operational expenditures) consistently across all categories.

Carbon capture, utilization, and storage (CCUS) is a key investment category for cement. Even as related CCUS protocols may be in development by CARB, it is essential that

CARB make this rulemaking, and the establishment of MDI, sufficiently forward-looking with the inclusion of CCUS as eligible in MDI.

- **Modify eligibility of biomass fuel in MDI, to avoid penalizing early adopters and rewarding late adopters, by deleting the eligibility restriction on historical use.**

Of the six categories proposed as eligible for MDI funding, biomass is the only category that has additional restrictions on eligibility for funding procurement. (Cap-and-Invest Proposed Regulation, Appendix A-1, pages 210-212)

The current language says MDI will only reimburse biomass procurement for incremental consumption above a historical baseline. This means that over the life of MDI (12 years), a producer starting from zero will be able to capture much more value than a producer who already has meaningful consumption of biomass fuels.

The practical impact of this design is that it penalizes early adopters and rewards late adopters. This is not good policy.

NCC is already a large consumer of biomass fuel. We have invested into our plant and the biomass supply chain as an early adopter in California. As a result, CARB's proposal on biomass fuel procurement under MDI has an adverse and unfair effect on our business compared to others in the industry.

The alternative that we, and CSCME, propose is to simply delete the historical baseline requirement, to make it consistent with other categories currently listed in MDI.

- **Recognize CCUS as a means for avoided emissions and associated compliance obligations, and recognize that CCUS of biogenic emissions is carbon negative.**

We support CARB's proposed recognition of carbon capture, utilization, and storage (CCUS) as a means to avoid compliance obligations, contingent on CARB's adoption of a standard to ensure that the emissions reductions are real, permanent, quantifiable, verifiable, and enforceable. (Cap-and-Invest Proposed Regulation, Appendix A, p. 131-132)

We further recommend CARB formally recognize that CCUS used in tandem with biogenic emissions is a net carbon negative outcome. Without this recognition, there is no economic incentive to capture CO_2 resulting from biogenic sources, which would represent a missed opportunity as California drives toward net carbon neutrality.

- **Recognize re-carbonation (carbon uptake) by concrete as a carbon sink.**

Re-carbonation is a well-documented chemical process by which hardened concrete gradually reabsorbs CO_2 from the atmosphere over its service life. This phenomenon is not speculative; it is intrinsic to cement chemistry and has been observed and quantified across a wide range of structures and climates.

As noted by CARB in the Draft SB 596 Strategy:

> "At final use, cement is mixed with aggregate, admixtures, and water to create concrete. Concrete is the most common building material in the world and theoretically can be a carbon sink and a source of permanent sequestration." (page 56)

For the California cement industry, re-carbonation is not a substitute for deep process-emissions reductions, but it is a material component of a net-zero framework. The Draft SB 596 Cement Strategy explicitly recognizes the need to account for emissions and removals across the life cycle of cement used in California. Because carbonation constitutes a measurable downstream sink associated with cement use, it is directly relevant to how greenhouse gas intensity baselines and reduction trajectories are defined under SB 596.

For CARB and other stakeholders, the policy question is not whether carbonation occurs, but how to account for it rigorously. The California cement industry is currently working with leading academic researchers on this issue to quantify the re-carbonation effect under California-specific conditions and to develop a technically robust basis for recognizing the cement in concrete as a measurable carbon sink. This effort is intended to ground future policy discussions in empirical data so that any recognition of re-carbonation within California's climate framework, including its GHG inventory and the Cap-and-Invest program, reflects defensible science rather than generalized assumptions.

- **Adopt the modified definition of *cement*, with minor additional modifications.**

CARB's present definition of *cement* does not recognize the integration of materials beyond limestone in finished cement, thereby excluding Supplementary Cementitious Materials (SCMs) that can be blended into finished cement as a substitute for clinker.

Adopting the ASTM standard definitions proposed by CARB is the right solution.

However, CARB should delete the year of the standard – ie, "ASTM C150 (*2022*)"

Including the year of the ASTM standard will create identical issues as we have presently with an overly limited definition.

ASTM requires standards to be reviewed at least once every 5 years. Many are revised more frequently than 5 years. For example, ASTM C595 is undergoing a major revision presently that allows for greater clinker substitution than the 2023 definition.

- **Remove eligibility for SCM producers to receive industrial allowance allocations.**

CARB's proposed amendments would extend industrial allowance allocation to certain producers of SCMs. CARB's approach is based on the premise that SCMs are the "functional equivalent" of cement when used to produce blended products. NCC and CSCME note that this approach conflicts with the foundational principles of industrial allocation under the Cap-and-Invest program, undermines the incentive that CARB seeks to create by expanding the definition of cement to include SCMs, and increases the risk of leakage in the California cement industry.

Under the Cap-and-Invest program, industrial allocation is explicitly justified as a leakage-minimization mechanism for emissions-intensive, trade-exposed sectors. SCM does not meet these criteria.

For these reasons, we urge CARB to:

- Decline to extend industrial allocation to SCM producers.
- Maintain the product-based cement benchmark framework within the cement manufacturing sector.
- Explore alternative, demand-side mechanisms to increase blended cement adoption downstream.

This approach would preserve the integrity of the leakage-protection framework, avoid definitional distortions in the cement-concrete supply chain, and more cleanly align policy instruments with policy objectives.

- **Ensure the shift of indirect emissions allowances from CPUC to CARB for Energy-Intensive Trade-Exposed (EITE) sectors is clear and transparent.**

Similar to comments provided by the California Large Energy Consumers Association (CLECA), we urge CARB to provide transparency with the transition of indirect emissions allowances from the California Public Utilities Commission (CPUC) to CARB.

Presently, the beneficiaries of the indirect emissions allowances (such as NCC) receive a rebate directly from utilities, but without the full detail of how the value is calculated. The proposal to shift the value from CPUC (in the form of a rebate on utility bills) to CARB (in the form of allowances of equivalent value) must be transparent to the beneficiaries.

Thank you for the opportunity to provide comments. We appreciate your consideration.

Sincerely,

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Vice President, Public Affairs
National Cement of California

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