

## Project 2030 (Diane Doucette)

May 27, 2026

Chair Lauren Sanchez  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95812

Members of the Board  
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Sacramento, CA 95812

## **Re: Project 2030 Comments on CARB's Cap-and-Invest 15-Day Amendments – Manufacturing Decarbonization Incentive**

Dear Chair Sanchez, Board Members and Staff,

Project 2030 is an independent non-profit dedicated to helping California meet its net-zero climate goals equitably and effectively. We write in support of the Manufacturing Decarbonization Incentive (MDI) included in CARB's 15-Day Amendments to the Cap-and-Invest (C&I) Program, and we are grateful for the creativity and policy ambition that this mechanism represents.

### **The MDI can address a systemic problem.**

Project 2030's analysis of CARB's own emissions data reveals that core non-oil and gas industrial emissions in California have barely moved over the last decade. What little reduction did occur includes a cement facility closure, i.e., not due to systematic decarbonization across the industrial sector. The carbon price, which hovers around the price floor, is not driving investment in the technologies that the industrial sector needs to fundamentally transform. The MDI changes that calculus by creating a direct financial incentive for covered entities to make those investments within this decade.

### **Eligible Investments Aligned with Scoping Plan**

Project 2030's two core programs focus on industrial decarbonization and carbon dioxide removal (CDR) — both eligible for the MDI, in alignment with the 2022 Scoping Plan. This

alignment is why we believe the MDI, designed well, could be one of the most consequential climate mechanisms California has introduced in years.

### **Thermal Storage: Measurable Reductions for California’s Industrial Communities**

Replacing natural gas boilers with thermal batteries powered by renewable electricity can deliver immediate, sustained emissions reductions for food processors, manufacturers, and other industrial facilities. These are the kinds of investments that reduce greenhouse gas emissions and directly improve air quality in disadvantaged communities near industrial corridors — including those designated under AB 617. The state agencies and the legislature are working on mechanisms that would make renewable electricity competitive in price to natural gas. Please see our report: “Closing the Spark Gap: Marginal-Cost Ratemaking for Industrial Electrification in California” at <https://project2030.blog/reports-resources/>. The MDI provides the financial incentive to begin these projects, proving out technologies that will play an increasingly important role as California advances toward its 2045 goals.

### **CDR: Building Projects in California - We Cannot Afford to Delay**

Of all the eligible investment categories in the MDI, we are especially encouraged by the inclusion of carbon dioxide removal. California’s 2022 Scoping Plan is explicit: meeting our 2045 net-zero target will require 75–100 million metric tons of carbon removal per year — roughly 15% of the total reductions needed. CDR cannot be an afterthought - it must be a central pillar of the state’s climate strategy today alongside reducing emissions. Please see our recent reports: “The Case for Public Procurement of Carbon Dioxide Removal in California” and “Making BICRS Work in California” at <https://project2030.blog/reports-resources/>.

### **Our Recommendations:**

Project 2030 has been working to accelerate CDR deployment in California through multiple channels. We were proud to sponsor SB 643<sup>1</sup>, a CDR grant program designed to advance a broad suite of in-state projects delivering verified removals by 2035, which received near unanimous legislative support in 2025. Our recent report on CDR deployment in California mentioned above, lays out a strategy for how the state can capture the full economic and environmental potential of the SB840 funding opportunity.

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<sup>1</sup> Carbon Dioxide Removal Purchase Program, Caballero March 2025 accessible at [https://leginfo.legislature.ca.gov/faces/billStatusClient.xhtml?bill\\_id=202520260SB643](https://leginfo.legislature.ca.gov/faces/billStatusClient.xhtml?bill_id=202520260SB643)

The MDI is a natural complement to that work. Below are recommendations for your consideration and we stand ready to support CARB through additional research and analysis.

**1) Evaluate Emission Reduction and Removal Projects on Cost-Effectiveness and Scoping Plan Alignment**

Project 2030's primary request is that CARB evaluate MDI applications not just on whether they meet eligibility criteria, but on how cost-effectively they reduce or remove emissions and how meaningfully they advance California toward its 2045 goals. Not all projects that reduce emissions are created equal. Some will prove out technologies that can scale and transform whole sectors; others will deliver incremental reductions that, while valuable, do not move the needle on the systemic transformation we need. Because the value of MDI allowances ultimately belongs to all Californians, we believe CARB has both the authority and the responsibility to direct these resources toward strategic and highest-impact investments.

**2) A Dedicated CDR Floor: Ensuring the MDI Delivers on Removal Targets**

We urge CARB to designate a minimum percentage of approved MDI allowance value specifically for carbon dioxide removal investments. There is currently no natural market driver compelling California's covered industries to invest in the State's much-needed carbon removal. Without a deliberate incentive like the MDI with a CDR floor, CDR investment dollars are likely to flow outside of California — and California would forfeit both an estimated \$7 billion CDR market opportunity and the co-benefits that come with it, including integration with wildfire mitigation, soil health, agricultural waste management, and methane reduction. A dedicated floor would send a durable and predictable market signal to project developers and investors, while helping CARB demonstrate concrete progress toward Scoping Plan removal targets.

It is also fiscally defensible. While GGRF programs provide a variety of benefits, if we were to narrowly measure them on GHG reductions, they would average approximately \$1,268 per ton of CO<sub>2</sub> reduced,<sup>2</sup> while many CDR pathways today cost 50% to 80% lower. The MDI can help CDR get further down the learning curve closer to a \$100 per ton target price.

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<sup>2</sup> <https://www.netzerocalifornia.org/blog/ggrf-investments-are-a-dumpster-fire-does-anyone-even-care>

The measure of success for the MDI should be driving emissions as low as possible across the industrial sector while establishing the CDR infrastructure needed to address the remaining gap — the 15% that only CDR can resolve.

Project 2030 is deeply grateful for CARB's leadership on the MDI, and for the Board's continued commitment to meet California's climate goals with urgency and creativity. We believe the MDI, designed thoughtfully, can become a landmark mechanism — one that unlocks private investment in both reductions and removals, removes structural bottlenecks on the path to 2045, and demonstrates that climate ambition and fiscal responsibility are not in conflict. We stand ready to support CARB staff in developing the program's design details and look forward to continued collaboration as the regulations are finalized. To that end, we offer the following initial questions for CARB's consideration.

### **Questions to Help Strengthen MDI Program Design**

Project 2030 strongly supports the MDI and looks forward to working with CARB on its implementation. The questions below reflect areas where additional clarity would help project developers, CDR investors, and other stakeholders plan their participation and ensure the program delivers on its promise.

#### **Awarding or Rejecting Applications**

- Will CARB have the authority to reject applications that meet stated eligibility criteria but raise concerns on other grounds — such as risk, project design, or consistency with the Scoping Plan?
- How will CARB prioritize among projects that all meet the eligibility criteria?

#### **Quantity of MDI Allowances**

- CARB leadership has indicated an expectation of approximately 25 million MDI allowances awarded annually. Can CARB establish a formal limit to that amount?
- Could CARB adjust eligibility criteria after reviewing outcomes from the first year of awards?

#### **Use of MDI Allowances**

- Our understanding is that free MDI allowances cannot be used for compliance by the recipient. If correct, are recipients limited to selling them in the market and using proceeds for eligible investments?
- Will CARB limit how many MDI allowances a recipient can bank or sell in a given year?

#### **Advancing CDR Through the MDI**

- Does CARB anticipate that covered entities will find it economical to purchase or develop CDR under this program? If so, can you share an example of how that might work in practice?
- If not, would CARB consider proposals for designating a minimum portion (e.g., 10%) of MDI allowances for a program that specifically encourages CDR projects developed in California?
- What CARB guidance exists — or is needed — on how obligated parties should attribute and report MDI-funded carbon removals within their entity-level GHG inventories?

Respectfully submitted,

**The Project 2030 Team**

Bob Epstein, Diane Doucette, Deepika Nagabhushan and Jared Getzoff