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Lauren Sanchez, Chair
March 9, 2026
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Urging the California Air Resources Board to prioritize electricity affordability in the Rulemaking to update California's Cap-and-Invest program

Dear Chair Sanchez,

As you know, electricity rates in California have risen rapidly in recent years and present a significant affordability challenge. CARB's Rulemaking to update the Cap-and-Invest regulation represents a critical opportunity to meaningfully and immediately address electricity affordability. We write to encourage CARB to reevaluate 1) the delayed transition of allowances from Natural Gas Suppliers (NGS) to Electric Distribution Utilities (EDUs), and 2) the proposed changes to allowance allocations for EDUs, to better address electricity affordability in California.

Quickly Transition Allowances from Natural Gas Suppliers to Electric Utilities

CARB allocates allowances to both EDUs and NGS. Electricity and natural gas are significantly different in how they relate to California's climate goals: electrification is the most efficient way to reduce emissions across much of California's economy while natural gas is primarily composed of methane, a potent GHG.¹

AB 1207 (Irwin, 2025) requires CARB to develop regulations to transition allocated allowances from natural gas utilities to electric utilities by 2031. In the Proposed Amendments, CARB appears to be interpreting this requirement to mean that CARB must develop regulations by 2031 rather than requiring CARB to complete the transition of allowances from NGS to EDUs by 2031. CARB's proposed amendments outline a slow transition of allowances from natural gas to electric utilities, starting in 2029 and eventually completing the transition in 2037.²

The total value of allowances allocated to natural gas utilities from 2027-2030, using the allowance price from the most recent auction,³ is about \$3 billion.⁴ Under CARB's proposal to slowly transition allowances, only \$350 million would be transferred from natural gas to electrical utilities

¹ California Air Resources Board (CARB); "[GHGs Descriptions & Sources in California](#)".

² CARB; "[Appendix A-1: Proposed Regulation Order](#)"; p250; January 2026.

³ CARB; "[Summary of Auction Settlement Prices and Results](#)"; November 2025.

⁴ CARB; "[2021-2030 Allowance Allocation to NG Suppliers](#)".

by 2031, maintaining more than \$2.6 billion in funds from the Cap-and-Invest program in the natural gas sector rather than directing those funds to immediately reduce electricity bills. There is more work to be done in addressing the long-term drivers of electric utility rates, but many of those reforms will take years to begin to meaningfully lower electric bills. The allowances previously projected to be allocated to natural gas present a unique opportunity to meaningfully address electricity affordability in the near-term. We encourage that CARB fully transition the allowances previously allocated to natural gas utilities to electric distribution utilities by 2031.

Allowance Allocation to Electric Utilities

The Proposed Amendments also include reductions in the number of allowances allocated for 2027-2030 to many EDUs, which include investor-owned utilities (IOUs) and publicly owned utilities (POUs). As you are aware, IOUs are required to consign their allocated allowances and distribute the proceeds to their ratepayers as the Electric California Climate Credit. While questions about the method and frequency of Climate Credit distribution are reserved for the California Public Utilities Commission (CPUC), it is exclusively CARB's jurisdiction to determine how many allowances go toward to Climate Credit, which affects the total amount distributed to electric utility ratepayers on their utility bills.

The proposed changes in allowance allocation to IOUs would significantly reduce the total funds distributed through the electric California Climate Credit through 2030 relative to existing allowance allocation projections in the cap-and-trade regulation.⁵ Southern California Edison (SCE), for example, would be allocated 84.3 million allowances from 2027-2030 under the existing regulation.⁶ Under the Proposed Amendments, the number of allowances allocated to SCE would be reduced by 18% to 68.9 million allowances,⁷ which would translate to a significantly smaller Electric Climate Credit for SCE customers.

The number of allowances allocated to many POUs through 2030 would also be reduced. The Los Angeles Department of Water & Power (LADWP) would be allocated 18.4 million allowances from 2027-2030 under the proposal,⁸ a 25% reduction compared to their projected allocation of 24.5 million allowances under the current regulation.⁹ Many of the POUs have incorporated the allowance projections into their long-term planning processes, including investments in renewable generation resources, anticipating financial support from the allocated allowances. These public utilities may be challenged to account for the change in revenue from reduced allowance allocation, which may lead to rate increases when many customers are already struggling to pay their utility bills.

We are aware of CARB's justification for the proposed changes: that allowance allocation to EDUs was meant to compensate for the passthrough costs of cap-and-trade compliance on electric utility bills, and therefore the number of allowances allocated to EDUs should reflect the actual costs being passed through on utility bills. EDUs across California are providing much cleaner electricity now than in the early years of cap-and-trade, meaning that utilities have a lower compliance obligation that would be passed through to ratepayers, and fewer allowances allocated to utilities should still be able to cover that reduced compliance cost.

⁵ CARB; "[Appendix A-1: Proposed Regulation Order](#)"; p235; January 2026.

⁶ CARB; "[Cap-and-Trade Regulation \(Unofficial Electronic Version\)](#)"; p215; April 2019.

⁷ CARB; "[Appendix A-1: Proposed Regulation Order](#)"; p237; January 2026.

⁸ CARB; "[Appendix A-1: Proposed Regulation Order](#)"; p237; January 2026.

⁹ CARB; "[Cap-and-Trade Regulation \(Unofficial Electronic Version\)](#)"; p215; January 2026.

However, we encourage CARB to think creatively about allowance allocation to EDUs and the Electric California Climate Credit, not about the original purpose of the allocation but of the additional positive impact that greater allocation to EDUs would provide. Rather than only covering Cap-and-Invest compliance costs in electricity, the Climate Credit could be leveraged to provide significant affordability benefit to California ratepayers on utility bills – supporting both household budgets across the state and enabling greater electrification.

Creatively refocusing existing parts of the Cap-and-Invest program is well within CARB’s authority. We appreciate that the Proposed Amendments remove the prohibition on volumetric distribution for the Electric California Climate Credit.¹⁰ Restructuring the Climate Credit to directly reduce electricity rates, rather than the current method of lump-sum distribution during off-peak months,¹¹ would both encourage electrification¹² and reduce month-to-month utility bill volatility,¹³ which currently puts tremendous strain on household budgets. This proposed change reflects an acknowledgement that certain aspects of the program should be adapted to better address changing conditions and priorities.

The proposed Manufacturing Decarbonization Incentive Allocation similarly reflects creative thinking on the part of CARB. Allowance allocation to industrial entities has been the primary method of mitigating leakage risk since the beginning of the cap-and-trade program. The proposed additional allocation to manufacturers is, according to CARB, meant to “incentivize a set of GHG emissions reduction strategies that can achieve GHG emissions reduction at facilities thereby decreasing compliance costs and reducing a facility’s emissions leakage risk.”¹⁴ Refocusing allowance allocation to support decarbonization projects, in addition to its ongoing function to reduce compliance costs for industrial entities, reflects innovative program design on the part of CARB.

We ask that a similar expansion of purpose be applied to the Electric California Climate Credit, and Cap-and-Invest allowance allocation to EDUs more broadly, to maximize the electricity affordability benefit on utility bills across the state. The Electric Climate Credit represents one of the most direct, and publicly visible, tools available to address electricity affordability in California – we need more of it, not less. Cap-and-Invest is a globally renowned program with significant public support, but that should not be taken for granted. We additionally request that CARB re-evaluate any public outreach and education efforts related to the public benefits provided by California Climate Investments across the state to strengthen public awareness and support for the Cap-and-Invest program.

CARB has been presented with a challenging task in balancing electricity affordability, leakage risk mitigation, emissions reductions, and other priorities in developing Proposed Amendments to the Cap-and-Invest regulation. Overall, these Proposed Amendments reflect thoughtful work and commitment to both emissions reductions and affordability. However, we must reinforce the critical nature of electricity affordability for meeting the needs of Californians and enabling the scale of electrification we will need to reach our state’s climate goals. We ask that CARB restructure the proposed transition of allowances from Natural Gas Suppliers (NGS) to Electric Distribution Utilities (EDUs) to maximize electricity affordability by completing the full transition of NGS allowances by

¹⁰ CARB; “[Staff Report: Initial Statement of Reasons](#)”; p53; January 2026.

¹¹ California Public Utilities Commission (CPUC); “[California Climate Credit](#)”.

¹² Legislative Analyst’s Office (LAO); “[Assessing California’s Climate Policies: Cap-and-Trade Reauthorization](#)”; May 2025.

¹³ CPUC; “[Response to Executive Order N-5-24](#)”; February 2025.

¹⁴ CARB; “[Staff Report: Initial Statement of Reasons](#)”; p70; January 2026.

2031 and reevaluate the proposed changes to allowance allocations for EDUs to better address electricity affordability in California.

Sincerely,



Jacqui Irwin
Assemblymember, 42nd District



Chris Rogers
Assemblymember, 2nd District



Cottie Petrie-Norris
Assemblymember, 73rd District



Pilar Schiavo
Assemblymember, 12th District



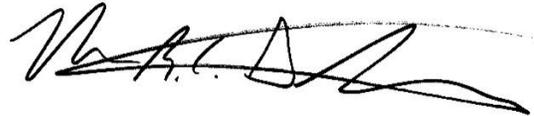
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Assemblymember, 16th District



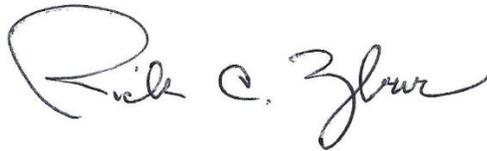
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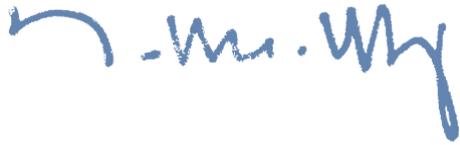
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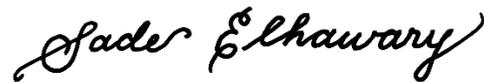
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