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ARTS, ENTERTAINMENT, SPORTS, AND
TOURISM
BUDGET
INSURANCE
PRIVACY AND CONSUMER PROTECTION
BUDGET SUBCOMMITTEE NO. 5 ON
STATE ADMINISTRATION

April 29, 2026

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

Re: 15-Day Amendments to the Cap-and-Invest Program

Dear Chair Sanchez,

This Earth Week, California is the last great hope for stability and progress. But threats, both foreign and domestic, are destabilizing markets and burdening working families with ever more costly energy bills and climate disasters.

I urge the California Air Resources Board to amend their Cap-and-Invest proposal to push back on pressure from an oil industry that is making hundreds of billions in wartime profits.

The recently proposed amendments put both our 2030 targets and the stability of the Greenhouse Gas Reduction Fund at risk. They also depart from the spirit of our landmark agreement from last year by seeking to achieve affordability goals without accountability.

CARB's proposal, rather than adhere to the will of the Legislature and clear statutory direction, adds up to 118 million metric tons of allowances back into the market, providing at least \$3.5 billion in subsidies that will only prolong our reliance on fossil fuels and their disproportionate impacts on public health in environmental justice communities. This contradicts CARB's Initial Statement of Reasons about what was required for California to reach our 2030 emissions target. It also effectively zeroes out future Greenhouse Gas Reduction Fund investments. In addition to diluting the market signal of the cap—increasing emissions and reducing demand for allowances—the proposed *Manufacturing Decarbonization Incentive* (MDI) under the newly created *Build Up California Reserve* lacks any enforceable mechanism to demonstrate real, permanent, quantifiable, and verifiable emissions reductions. The MDI resembles CARB's existing offsets program, but without any of the accountability measures required by law.

Speeding progress towards the 2030 emissions target will allow us to accelerate investments to provide lasting relief for the pain at the pump families are struggling to shoulder.

The Legislature worked for more than a year to reform and reauthorize the program. We did so well in advance of the program's sunset to provide certainty to regulated industries, to stabilize the market for allowances, and to send a clear signal that California is committed to the energy transition. The law reflects a hard-fought compromise, and a deliberate balance between ambition and affordability. AB 1207 reaffirmed our statutory commitment under SB 32 (Pavley, 2016) to achieve "*at least 40 percent*" below 1990 levels by 2030. This clear commitment includes unambiguous direction "to achieve the maximum technologically feasible reductions in greenhouse emission to *achieve the requirements*" of our 2030 and 2045 targets (Cal. Health & Safety Code §38566 and §38562.2). These are not optional suggestions: these targets are "requirements" that must be "achieved." Based on these 2030 and 2045 commitments, SB 840 established clear expectations for ongoing revenues to support investments in vital public services and infrastructure that our communities are counting on.

Moreover, the proposal also lacks any assurance that CARB, the Energy Commission or the Division of Petroleum Market Oversight will have the data or accountability tools they need to avoid saddling California taxpayers with further costs like the federal government's "petroleum exclusion," which shields refineries from Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) cleanup liability.¹

There are better options available to stabilize in-state fuel supply through the energy transition that preserve the integrity of California's carbon market. We anticipate many such solutions will be highlighted in the Transportation Fuels Transition Plan and Transportation Fuels Assessment, due this month, and we are ready to engage with the Administration and industry to build on our work.

CARB must stay on course to meet the 2030 targets by doing the following:

- 1. Apply the same rigor and accountability to any compliance instruments generated under the MDI program as we do for offsets—namely, that they be real, permanent, quantifiable, verifiable and additional emissions reductions—there must be accountability on public spending and environmental justice.**
- 2. Provide clarity that the 2030 target remains in force, and that the MDI program not be permitted to expand the emissions cap, including**

¹ 42 U.S.C. § 9601(14); *see also*, Ann Alexander, Before the Last Drop: Lessons From The Phillips 66 Los Angeles Refinery Closure (2025).

by limiting the total quantity of MDI-related instruments and requiring a commensurate adjustment to the allowance budget.

I understand the Board seeks to act on this rulemaking in the coming weeks and expect that CARB will return with program amendments that adhere to both the spirit and letter of the law by making appropriate revisions to ensure California does not backslide on its climate goals.

For any questions, please contact my Legislative Director at (916) 319-2020 or Stephanie.GerstleEsparza@asm.ca.gov.

Thank you,

A handwritten signature in black ink, appearing to read "Liz Ortega", with a stylized flourish at the end.

LIZ ORTEGA
Assemblymember, 20th District