League of California Cities & CA State Association of Counties (Melissa Sparks-Kranz)

May 4, 2026 Comments transmitted via CARB
Public Comment Portal
Ms. Lauren Sanchez
Chair, California Air Resources Control Board
1001 I Street
Sacramento, CA 95814

RE: Public Comments - Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market- Based Compliance Mechanisms Regulation – LETTER OF CONCERN

Dear Chair Sanchez and CARB staff,

The League of California Cities (Cal Cities) and the California State Association of Counties (CSAC) appreciate the opportunity to provide public comment to the California Air Resources Board (CARB) on the April 14, 2026 Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market- Based Compliance Mechanisms Regulation (Draft Regulations) on behalf of California's 483 cities and 58 counties statewide.

Cal Cities and CSAC are deeply concerned about the Proposed Amendments to the Draft Regulations that are anticipated to have serious implications on the recently reauthorized framework for the Cap-and-Invest Program (Program), as was determined by the Legislature and signed by the Governor last year through SB 840 (Chapter 121, Statutes of 2025). The Legislature analyzed and developed the three-tiered framework for the Greenhouse Gas Reduction Fund (GGRF) and reauthorized this approach to align with the projected timeline of the Program until 2045.

Last year, our organizations strongly advocated that the reauthorization of the Program to include funding for affordable housing projects, wildfire resilience, clean transportation, and climate adaptation funding for organic waste diversion and sea level rise infrastructure. The Proposed Amendments would dissolve the Program's new framework and reduce the highly meaningful GGRF programs that to-date have achieved : 116.1 million metric tons of carbon dioxide equivalent in estimated emissions reductions, over 13,600 affordable housing units under contract, more than 560,000 in rebates for zero emission, plug-in hybrid vehicles, $1.5 billion invested in wildfire prevention efforts, and more.

The Proposed Amendments would provide greater allowance allocations for industrial purposes through the Manufacturing Decarbonization Incentive (MDI) program, resulting in less funding available for the Program specifically the GGRF and the California Climate Credit. Such industrial allowances would include covered manufacturing activities and facilities including the production of finished cement, steel production, and food processors. The Proposed Amendments also include greater allowances for utilities, product-based industrial uses for light duty vehicle assembly, and in-state mining and manufacturing of materials using minerals mined in-state, as well as a

three-year delay for covered emissions associated with a facility that is an independent merchant refinery. The potential to lose up to $8 billion through 2030 would present an approximate 50% decrease in annual GGRF funding, which would redirect the Legislature's discretionary funding (Tier 2) and essential programs in Tier 3 (including affordable housing, wildfire prevention, safe drinking water, transit, and air quality programs, among others) from receiving any funding at all. This is a structural reduction, not a short-term fluctuation and would dramatically alter the agreed upon GGRF framework by the Legislature and Governor last year.
Even independent analyses show the MDI program could impact the GGRF by estimates of up to $4 billion in lost auction revenue and $1.7 billion in the California Climate Credit to support more affordable utility bills for ratepayers through 2030. For CARB to continue to make progress towards our state's climate goals , such tradeoffs to provide leniency and free allowances for industry are not justified or in any way balanced in administering the state's more transformational, publicly funded climate program.

The Proposed Amendments to the Draft Regulations present a scope and substantive changes that far exceed what is permissible under a 15-day public comment period pursuant to the Administrative Procedures Act. State statute requires that such modifications be sufficiently related to the original proposal and constitute a logical outgrowth of the rulemaking, for which the Proposed Amendments do neither. Furthermore, a true economic impact analysis has not been conducted for the potential implications of this proposed decision. We request that the industrial allowances are removed to ensure the Draft Regulations result in the meaningful benefits that CARB aims to achieve.

Cal Cities and CSAC respectfully requests CARB to strongly consider these comments in revising their regulatory package to remove such allowances and incentives that would negatively impact the bottom line of the GGRF. Please do not hesitate to contact Melissa Sparks-Kranz (Cal Cities) at msparkskranz@calcities.org or Jordan Wells (CSAC) at jwells@counties.org regarding our input.

Sincerely,

Melissa Sparks-Kranz Jordan Wells
Legislative Advocate Legislative Advocate
League of California Cities California State Association of Counties

cc: Members, California Air Resources Board

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Last year, our organizations strongly advocated that the reauthorization of the Program to include funding for affordable housing projects, wildfire resilience, clean transportation, and climate adaptation funding for organic waste diversion and sea level rise infrastructure. The Proposed Amendments would dissolve the Program's new framework and reduce the highly meaningful GGRF programs that to-date have achieved[1]: 116.1 million metric tons of carbon dioxide equivalent in estimated emissions reductions, over 13,600 affordable housing units under contract, more than 560,000 in rebates for zero emission, plug-in hybrid vehicles, $1.5 billion invested in wildfire prevention efforts, and more.

The Proposed Amendments would provide greater allowance allocations for industrial purposes through the Manufacturing Decarbonization Incentive (MDI) program, resulting in less funding available for the Program specifically the GGRF and the California Climate Credit. Such industrial allowances would include covered manufacturing activities and facilities including the production of finished cement, steel production, and food processors. The Proposed Amendments also include greater allowances for utilities, product-based industrial uses for light duty vehicle assembly, and in-state mining and manufacturing of materials using minerals mined in-state, as well as a three-year delay for covered emissions associated with a facility that is an independent merchant refinery. The potential to lose up to $8 billion through 2030 would present an approximate 50% decrease in annual GGRF funding, which would redirect the Legislature's discretionary funding (Tier 2) and essential programs in Tier 3 (including affordable housing, wildfire prevention, safe drinking water, transit, and air quality programs, among others) from receiving any funding at all. This is a structural reduction, not a short-term fluctuation and would dramatically alter the agreed upon GGRF framework by the Legislature and Governor last year.

[1] 2025 California Climate Investment Annual Report

Even independent analyses[2] show the MDI program could impact the GGRF by estimates of up to $4 billion in lost auction revenue and $1.7 billion in the California Climate Credit to support more affordable utility bills for ratepayers through 2030. For CARB to continue to make progress towards our state's climate goals[3], such tradeoffs to provide leniency and free allowances for industry are not justified or in any way balanced in administering the state's more transformational, publicly funded climate program.

The Proposed Amendments to the Draft Regulations present a scope and substantive changes that far exceed what is permissible under a 15-day public comment period pursuant to the Administrative Procedures Act. State statute[4] requires that such modifications be sufficiently related to the original proposal and constitute a logical outgrowth of the rulemaking, for which the Proposed Amendments do neither. Furthermore, a true economic impact analysis has not been conducted for the potential implications of this proposed decision. **We request that the industrial allowances are removed to ensure the Draft Regulations result in the meaningful benefits that CARB aims to achieve.**

Cal Cities and CSAC respectfully requests CARB to strongly consider these comments in revising their regulatory package to remove such allowances and incentives that would negatively impact the bottom line of the GGRF. Please do not hesitate to contact Melissa Sparks-Kranz (Cal Cities) at msparkskranz@calcities.org or Jordan Wells (CSAC) at jwells@counties.org regarding our input.

Sincerely,

Melissa Sparks-Kranz
Legislative Advocate
League of California Cities

Jordan Wells
Legislative Advocate
California State Association of Counties

cc: Members, California Air Resources Board

[2] Potential Lost Cap-and-Invest Revenue under the Manufacturing Decarbonization Incentive, Environmental Markets lab, University of California, Santa Barbara

[3] SB 32 (Pavley, Chapter 249, Statutes of 2016), which sets the target to reduce GHG emissions to 40% below 1990 levels by 2030 and AB 1279 (Muratsuchi, Chapter 337, Statutes of 2022), which requires reducing anthropogenic emissions by 85% below 1990 levels by 2045 and achieving carbon neutrality by 2045.

[4] Government Code §11346.8(c)