



May 4<sup>th</sup>, 2026

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

**RE: EnviroVoters' Comments on Proposed 15-Day Amendments to the California Cap-and-Invest Program; Urgent Fixes Needed to Proposal**

Dear Chair Sanchez and Board Members,

We are urging your swift and strong protection of the Cap-and-Invest Program, California's foremost tool for reducing greenhouse gas emissions and funding essential programs to benefit communities. The amendments described in the April 14<sup>th</sup> 15-Day changes proposal will compromise the program's integrity with an oversupply of emissions allowances, which will severely hinder California's progress toward the statutory emissions goal of 40% under 1990 levels by 2030. These amendments that undermine the program's function will also gut the revenue funneled into the Greenhouse Gas Reduction Fund (GGRF) by an estimated \$2 billion per year. This comes at a time when our state is cutting safety net services across the board for Californians, and the federal government is clawing back environmental funding resources. GGRF is a critical source of state funding for community investments like transit, parks, clean cars, charging infrastructure, electrifying homes, and critical disaster response. The California Climate Credit provided to energy ratepayers would also face a decrease in auction revenue, canceling out the real affordability benefits of this bill relief program.

Californians are feeling the real impacts of climate disasters. Our communities and lands are devastated, and the climate crisis is driving the affordability crisis. Families are bearing the costs of a warming planet through insurance premiums and utility bills, health expenses and hospital bills, higher prices on household goods, and are held hostage by Big Oil's price gouging at the pump. CARB has the responsibility to steer California toward necessary climate progress, which is made even more urgent by the federal administration's systematic dismantling of key environmental programs and funding sources. We are rapidly approaching 2030, and CARB's plan for Cap-and-Invest as proposed in the 15-Day Amendments is unacceptable.

**We request that CARB swiftly update and finalize the regulation in time to implement changes this fall with the following revisions:**

**A. CARB must strike the “Manufacturing Decarbonization Incentive” and associated “Build Up California Reserve” allowance tranche from the proposal. This excessive handout for high-emitting industries undermines the proposed cap decline and severely exacerbates the emissions allowance oversupply.**

The Manufacturing Decarbonization Incentive (MDI) would create a pool under the new “Build Up California Reserve” of roughly 118 million allowances that exist outside of the emissions cap, which will be awarded for clean energy investments. This new incentive pool is equivalent to CARB’s proposed cap decline of approximately 118 million allowances between 2027 and 2030. Any claim that this proposal effectively lowers the emissions cap overall is misleading; the added off-cap allowances effectively offset the intended reductions and undermine the program’s real-world emissions limits. Concerningly, the MDI program alone is projected to lower auction revenue by \$4 billion dollars should the incentives be fully utilized over the next four years<sup>1</sup>. An addition to the Cap-and-Invest program of such substantial scale warrants further stakeholder input and impact analysis than the current comment period allows. We urge CARB to remove the MDI program and linked allowance tranche for consideration in future rulemakings.

**B. The proposed increase to the cap adjustment factor is counterintuitive to progress toward the 2030 emissions goal. The cap adjustment factor must be lowered to reflect the current generous industry allowance allocations and precipitous allowance market conditions.**

Compounding the alarming projected impacts of the MDI program, excessive industry allowance allocations have severe implications for the GGRF. This dwindling pot of money has invested billions in dozens of critical programs – clean vehicle access, safe and affordable drinking water, wildfire resiliency, and affordable housing. A failing market mechanism will yield decreased dollars to allocate to these initiatives. Early estimates place the impact of the proposal overall to be \$2 billion in foregone revenue each year. 73% of the billions in GGRF investments have been allocated toward California’s disadvantaged and low-income households, the “priority populations”. This group is hit the hardest by the impacts of climate change and will bear the brunt of the loss of these foregone GGRF dollars.

While forgoing direct emissions benefits and durable investments in our climate programs, this proposal provides allowances in excess to the oil and gas industry with no guarantee that fuel prices will go down. Even with a glut of allowances, petroleum market prices will continue to spike suddenly when refinery emergencies or global supply shocks occur. Californians remain vulnerable to the volatility of the petroleum market, and the oppressive market power that this industry continues to wield in our state. While gas prices soar due to international supply shortages, oil companies are raking in record profits<sup>2</sup>. Californians cannot be on the hook for oil industry

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<sup>1</sup> [UC Santa Barbara, Environmental Market Labs: Potential Lost Cap-and-Invest Revenue Under the Manufacturing Decarbonization Incentive](#)

<sup>2</sup> [The Guardian, “\\$30m an hour: big oil reaping huge war windfall from consumers, analysis finds”](#)

subsidies that deliver no legitimate price relief all while cutting our state off from billions in critical funding. CARB must ensure that industry allowance allocations are not in excess; the proposed increase to the cap adjustment factor must be walked back.

The Cap-and-Invest program was built on the premise that polluting industries would be held accountable to deliver legitimate change and help fund our transition to clean energy and resilience. The current proposal would include generous handouts to industries at the expense of everyday people. CARB's role is to steward our state's climate progress while protecting the health of Californians. The agency must put Californians first. We urge immediate, strong amendments to the program that protect its ability to deliver real benefits to our state.

Regards,

A handwritten signature in black ink, reading "Gracyna Mohabir". The signature is written in a cursive, flowing style.

Gracyna Mohabir  
Clean Air & Energy Regulatory Advocate  
**California Environmental Voters**