Rondo Energy (John O'Donnell)

See attached comments.

Rondo Energy, Inc.
rondo.com

April 29, 2026

Lauren Sanchez, Chair
Board Members
California Air Resources Board

Via Electronic Submittal

Re: Rondo Energy, Inc. Comments on the Cap-and-Invest Proposed Regulatory Amendments released April 14, 2026

Chair Sanchez and Board Members,
Rondo Energy, Inc. (Rondo) appreciates the opportunity to provide written comments on the 15-day Proposed Amendments package to California's Cap-and-Invest Regulation. We continue to support the fundamentals of Cap-and-Invest, as a consistent price on carbon provides necessary investment signals to the industrial and power sectors. Rondo's comments are focused on the new provisions related to Manufacturing Decarbonization Incentive Allocation Section 95891(g).

We reiterate our support of the Manufacturing Decarbonization Incentive (MDI) concept in these amendments as industrial decarbonization is a critical component to the success of the Program moving forward. The MDI is a key policy for the industrial sector to develop and implement well-established decarbonization technologies, such as thermal energy storage. As a major source of GHG emissions, the sector needs additional levers like this to pull, besides just the 'hand of the market' associated with putting a price on Carbon. Rondo was pleased to see CARB provide more details, expand the scope of MDI and fund it with allowances.

Rondo also supports designing MDI so that allowances are tied to real, permanent, quantifiable, and verifiable emissions reductions, consistent with the rigor CARB applies elsewhere in the Program. Thermal energy storage is well-suited to this standard: it displaces metered quantities of on-site fossil fuel combustion at industrial sites, producing abatement that can be directly measured and verified. Applying this verified-reductions standard consistently across MDI, regardless of host sector or abatement pathway, would ensure allowances flow to projects delivering the greatest measurable emissions reductions per allowance allocated, with appropriate safeguards against duplicative crediting under other state incentive programs. This design also responds to AB 1207's direction that CARB pursue leakage minimization and achievement of the requirements of Sections 38562.2 and 38566 together rather than as a tradeoff, since electrified industrial heat preserves in-state production while delivering

verified reductions per allowance allocated. Industrial thermal energy storage also delivers system-level benefits to the broader electrical grid, including absorbing renewable generation that would otherwise be curtailed, providing flexible load that supports grid reliability, and reducing reliance on peaking generation and partially loaded thermal plants for balancing services.[1,2]

Replacing on-site fossil combustion with electrified thermal storage also reduces local NOx, particulate, and VOC emissions at industrial host sites, delivering co-pollutant benefits in environmental justice and disadvantaged communities that other industrial decarbonization pathways do not produce. By contrast, some other decarbonization pathways such as hydrogen and CCS have been shown to impair local air quality. Respectfully, we feel the MDI program should prioritize pathways that deliver co-benefits. To support program transparency and improve the empirical basis for future policy, Rondo supports public reporting on MDI project costs, performance, and verified emissions impacts, and is prepared to participate in such reporting for any Rondo Heat Battery deployments receiving MDI allocation.

Rondo appreciates the opportunity to provide written comments and look forward to continued discussions.

Sincerely,
/s/
John O'Donnell
Chief Innovation Officer
Rondo Energy, Inc.

[1] Lawrence Berkeley National Laboratory, *Demand Flexibility Research at LBNL* and the *California Demand Response Potential Study* (2014–2025)
[2] National Renewable Energy Laboratory, *Storage Futures Study* (2022), U.S. Department of Energy Energy Storage Grand Challenge