

## International Emissions Trading Association (Adarsh Srinivasan)

On behalf of our 300+ member companies, IETA appreciates this opportunity to provide feedback to CARB on the proposed amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms.

Our full response is attached.

4 May 2026

## **IETA Comments on Proposed 15-Day Amendments**

### ***Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms***

For more than 25 years, IETA has been the leading global business voice on robust market solutions to tackle climate change while driving clean finance at scale. Our organization represents a broad and diverse group of 300+ businesses, including those with clean assets, exposure and operations across California and the globe. IETA's expertise is regularly called upon to inform carbon market solutions that deliver measurable climate outcomes while addressing economic competitiveness and affordability concerns.

IETA is a longstanding supporter of California's Cap and Invest (C&I) Program (the "Program"). We appreciated the opportunity to comment on the initial ISOR package and are pleased that CARB acted upon several of our recommendations.<sup>1</sup> IETA's latest feedback as part of the ongoing rulemaking is structured around five (5) main sections:

- 1. Introduction: The Current Moment**
- 2. Rulemaking Timeline**
- 3. MDI Considerations**
- 4. Post-2030 CAFs**
- 5. Forestry Offset Protocols**

#### **1. Introduction: The Current Moment**

California is at an inflection point. Brought about in part by geopolitical and macroeconomic conditions outside of its control, there are new pressures and challenges facing the state as it continues to navigate and reform its suite of internationally recognized climate policies, including its cap-and-invest program. IETA greatly values CARB's continued leadership on these matters and realizes that the significance of these efforts is truly global. We believe that cap-and-invest must continue to play a cornerstone role in helping California affordably reach climate commitments, drive sustainable economic growth, and unlock new domestic and international market opportunities. IETA is encouraged by the widespread support for the Program, the desire to extend it through 2045, and the prospect of linking the program with Washington State in 2027.

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<sup>1</sup> IETA's full response to CARB, submitted on March 9, can be found [here](#).

Going forward, IETA believes CARB should continue to focus on competitive decarbonization, particularly given the conditions outside of CARB's control. Effective carbon markets enable compliance-obligated entities and general market participants to confidently make long-term investments into clean technology and emissions mitigation without significant competitiveness impacts. An effective carbon market supports investment by providing stable and predictable returns on the monetization of environmental attributes while supporting efficient, high-impact climate action.

As affordability and competitiveness continue to dominate global conversations and policy environments, innovative proposals like the Manufacturing Decarbonization Initiative (MDI) and the Build Up California Reserve account (BUCA) are starting to appear across a variety of established compliance carbon markets.<sup>2</sup> IETA acknowledges the rationale for their introduction, while suggesting the incorporation of critical guardrails should this mechanism be recognized. See Section 3 for our full thoughts on this topic.

We continue to applaud CARB for its long-standing climate innovation and leadership. As CARB continues to work through feedback and comments on MDI and other proposed amendments, IETA's global membership stands ready to lend support. We welcome future opportunities to inform and/or convene deeper dives with CARB and, where relevant, leverage our global expertise to think through market design, functionality and affordability elements of the Program in the California context.

## **2. Rulemaking Timeline**

As IETA emphasized in our initial ISOR response, we encourage CARB to complete the ongoing rulemaking and adopt the proposed regulatory amendments at the 28 May Board Meeting without delay. ***We cannot overstate the importance of adhering to the planned schedule for the rulemaking.*** This would provide regulatory certainty for California stakeholders and Quebec as it completes its own provincial regulatory cap-and-trade amendments process in 2026. The finalization of regulatory amendments in both California and Quebec provides a clear signal to the market on the need to continue to drive down GHG emissions and is an important step for subsequent carbon market linkage with Washington State through 2027.

Importantly, delaying the adoption of the C&I amendments could also jeopardize California's industrial allocation for 2027 (as it is tied to the amendments), which could have severe impacts on the affordability

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<sup>2</sup> Environment and Climate Change Canada introduced "Emissions Reductions Accounts" in a December 2025 discussion paper about proposed updates to Canada's carbon pricing programs. These would be "new compliance pathways that would allow a facility to comply (avoid paying the carbon price) by demonstrating investment in eligible decarbonization projects." While not identical, similarities exist that IETA finds useful to share with CARB given the global headwinds. Full discussion paper: <https://www.canada.ca/en/environment-climate-change/corporate/transparency/consultations/comment-driving-effective-carbon-markets/discussion-paper.html>.

of the program. A delay would almost certainly push back the timetable for linkage and erode confidence in the program, likely reducing state auction revenues.

### 3. MDI Considerations

Consistency, clarity, and certainty are all needed for carbon market investment and the associated build-out of large-scale decarbonization projects. However, largely driven by economic challenges, energy security and other various headwinds, uncertainty has been top-of-mind for many market participants and stakeholders. As a result, investment strategies have shifted to meet the current moment.

IETA understands the valid interest and arguments in favor of the establishment of the Manufacturing Decarbonization Incentive Fund (MDIF), particularly given the aforementioned geo-political uncertainties, federal incentive cuts, and need to develop large-scale decarbonization projects to realize California's long-term climate goals. However, to ensure the program is effective, **we emphasize the importance of establishing clear and robust guardrails should the MDI proposal be adopted.** As such, the following MDI-related considerations warrant priority attention from CARB:

- **Preserving Market Signals:** We believe it is critical for CARB to avoid near term oversupply of BUCAs, which could undermine Program integrity and cause market distortion. We hope the proposal will meter out BUCAs in modest increments over several compliance periods at the least to avoid oversupply.
- **Market Oversight:** We strongly support CARB's plans to carefully track any MDI allowances that are awarded as well as their subsequent retirements to ensure the market has full knowledge of the initiative's impact on investments and GHG reductions. We encourage CARB to manage the MDI in a manner that supports CARB's ongoing interest in a transparent and well-run market-based program.
- **Commitment to Statutory Targets – and Careful Monitoring & Adjustments:** Since BUCAs are distributed “outside-the-cap”, they have the potential to undermine California's ability to meet its statutory 2030 and 2045 emissions targets without careful monitoring and adjustments. It is encouraging to see that the [MDI FAQ sheet](#) mentions that CARB is ready to “*make adjustments as needed*” to stay on track for its statutory climate targets. We recognize that BUCAs need to be considered in context with other elements of the revised regulation including the additional allowance retirement provisions per AB 1207. Therefore, we urge CARB to assess the net impact to the annual caps from both the Offsets Under the Cap Provision and the MDI and consider adjusting future caps downwards if necessary.

- **Cost-Effectiveness:** CARB is proposing a unique approach in distributing allowances in the form of an incentive value for decarbonization investments, with reporting requirements for use of the incentive value and requirements to return unspent value through return of allowances. Hence, IETA suggests that cost effectiveness, total estimated GHG reductions, and scale-up potential be key considerations as part of the application process.

Given that CARB's proposal to direct 118 million allowances to the MDI through the 15-day changes was unexpected, C&I stakeholders and market participants are requesting greater clarification and certainty on several matters.

**IETA believes that CARB is in a position to alleviate concerns by providing information on the following as part of the rulemaking and/or subsequent implementation process:**

- **MDI Mechanism:** CARB should provide clarification on potential project types, approval criteria, invalidation/cancellations, etc. as part of the implementation process as soon as possible. We suggest that electricity generators are included as qualified MDI recipients.
- **Market Impacts:** IETA supports the publication of any analysis CARB has conducted on MDI market impacts for greater transparency. Recent analysis from Clean and Prosperous California reveals that under an assumption of maximum uptake of the MDI, 27 million allowances BUCAs would be drawn in 2028.<sup>3</sup> This means that even if the MDI is used at its maximum, the 118 million allowances available as BUCAs would be allocated over five years with likely retirement of the allowances occurring over an even longer period as the projects they support are implemented. Similar analysis and communications from CARB would allay concerns that a sudden influx of allowances could undermine Program integrity.

#### **4. Post-2030 CAFs**

IETA recognizes CARB's reasons for delaying the final determination of post-2030 Cap Adjustment Factors (CAFs). Still, we note that long-term certainty is vital for both Program and market efficiency. Accordingly, we encourage CARB to release the post-2030 CAFs in an expedited fashion as part of a subsequent rulemaking, with consideration for both environmental integrity and broader macroeconomic trends.

We hope CARB maintains its focus on affordability by directing an adequate number of allowances towards EDUs to fund a robust California Climate Credit.

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<sup>3</sup> The results from Clean and Prosperous California's bounding exercise is available [here](#).

## 5. Forestry Offset Protocols

IETA recommends that CARB consider our previous comments on the forestry protocols at a later time when all the offset protocols are reconsidered. For now, we encourage CARB to continue to focus on priority amendments (e.g., increasing stringency of the program, alignment with legislative direction) through the current rulemaking to remain on track for approval at the May 28 Board Meeting.

### **Conclusion**

We appreciate this opportunity to provide feedback to CARB on the proposed amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms. IETA is a strong advocate for well-designed and well-functioning carbon markets as a pragmatic climate policy that delivers measurable, cost-effective emissions reductions while addressing competitiveness concerns and unlocking new low-carbon market and product opportunities.

We look forward to continuing our strong relationship with CARB and engaging on the critical evolution of California's cap-and-invest program.