March 9, 2026

Steven S. Cliff, Ph.D.
Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments on the proposed amendments to the Cap-and-Invest Regulation released by California Air Resources Board on January 13, 2026.

Dear Dr. Cliff,

The undersigned Community Choice Aggregators ("Joint CCAs") thank the California Air Resources Board (CARB) for the opportunity to submit the following comments on the proposed amendments to the Cap-and-Invest Regulation, for which CARB posted preliminary regulatory proposal documents on January 13, 2026.

We write to focus specifically on the proposed decision not to replenish the Voluntary Renewable Electricity (VRE) Reserve and to offer considerations for preserving the program in a manner consistent with legislative direction and the overall intent of the Cap and Invest program to reduce carbon emissions with a gradually increasing carbon price signal. We recognize that CARB must weigh multiple competing priorities in determining how allowances are allocated within the program. Our comments are not intended to suggest raising the cap, increasing total emissions, or materially altering allowance market dynamics.

Replenishment of the Voluntary Renewable Electricity (VRE) Reserve has historically been designed to have minimal impact on allowance market dynamics. The VRE mechanism does not introduce new compliance obligations or alter covered entity requirements; rather, it reallocates a small portion of allowances that would otherwise be available for purchase in the auction to ensure that voluntary renewable electricity procurement results in verifiable emissions reductions within the cap-and-invest framework.

CARB's prior analyses have recognized that the scale of allowances contemplated for the VRE Reserve is small relative to the total allowance budget and the volume of banked allowances in the market. At these levels, the effect on price formation, though positive, is de minimis, particularly when compared to other structural drivers of allowance prices such as banking behavior, compliance strategies, and macroeconomic conditions.

Carbon allowance prices have stayed low in recent auctions, with the November 2025 auction clearing at $28.32, with the minimum Auction Reserve Price of $25.87 and a price ceiling of $94.92. If CARB authorized the 5.5 million allowances contemplated in the 2024 SRIA, this would translate to approximately $160 million in reduced auction revenue at current prices. The impact to revenue could be offset by even a de minimus increase in allowances price, which is the theoretical result of removing allowances from the auction supply. Assuming the remaining 2027-2045 allowance budget of 2.1 billion proposed in the recent amendment, a price increase of $0.08 per allowance would neutralize the revenue effects of continuing the VRE program.

In this context, the VRE Reserve functions as a mechanism to preserve the integrity of voluntary emissions reductions without materially affecting overall program revenue. Allowing voluntary procurement to translate into actual allowance retirement strengthens the accuracy of emissions accounting while maintaining stable market outcomes.

Consequences of allowing the VRE program to lapse

If the VRE Reserve is not replenished, the practical effect is that voluntary renewable electricity procurement in California no longer translates into statewide emissions reductions under the cap-and-invest framework, unless entities separately purchase and retire allowances.

This would create three problematic outcomes. First, customers who voluntarily pay for clean energy above Renewable Portfolio Standard requirements risk subsidizing other emitters rather than reducing emissions. Second, maintaining credible voluntary products would require purchasing allowances in direct competition with covered entities, creating real affordability challenges at the customer level. Third, the loss of a viable VRE mechanism undermines California-sourced voluntary renewable products, including those aligned with Green-e certification, weakening incentives for voluntary climate leadership.

Over time, these dynamics risk eroding the political and consumer support that has enabled CCAs and other entities to go above and beyond state mandates—support that has been instrumental to California's clean energy progress.

A potential path forward within CARB's constraints

If replenishing the VRE Reserve at its originally contemplated level is not feasible in the current rulemaking, we respectfully urge CARB to consider whether a more limited, within-cap approach could preserve the program's continuity without undermining affordability.

For example, a smaller, multi-year reserve—on the order of one million allowances—with discretion to revisit the level in future amendments could maintain the operational viability of the VRE program, preserve voluntary market integrity, and provide regulatory certainty for customers and providers. Even a modest reserve would signal that voluntary action continues to have a recognized role within California's climate framework.

We emphasize that preserving some version of the VRE program is preferable to allowing it to lapse entirely.

Conclusion

PCE appreciates CARB's thoughtful engagement on these issues and recognizes the difficult tradeoffs involved in this rulemaking. We respectfully request that CARB reconsider the decision not to replenish the VRE Reserve and explore options to preserve the program in a manner consistent with affordability, statutory direction, and the long-term integrity of California's climate policies.

We look forward to continued dialogue and appreciate CARB's consideration of these comments.

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