

Climate Reality Project: Silicon Valley Chapter (Ken Johnson)

CARB's Cap-and-Invest plan contravenes the SB-32 Legislative mandate requiring that "the state board shall ensure that statewide greenhouse gas emissions are reduced to at least 40 percent below the statewide greenhouse gas emissions limit no later than December 31, 2030" (HSC 38566). The proposed Build Up California Reserve to fund the Manufacturing Decarbonization Incentive (MDI) gives no assurance that allowances released from the reserve will result in the GHG reductions required to comply with SB 32.

The industry didn't lobbying for this new reserve; its primary objection was that CARB's proposed Cap-and-Invest regulation could make in-state refineries economically noncompetitive against unregulated and more highly-polluting imports. A straightforward solution to that problem would be a Carbon Border Adjustment Mechanism (CBAM), which is advocated by the likes of Chevron and NRDC. CARB was required by statute to deliver an AB 398 report by December 31, 2025 (per HSC 38562(c)(2)(J)) addressing leakage risk and including recommendations on the potential for a border carbon adjustment. A CBAM would address industry concerns about competitiveness and leakage by strengthening, not weakening, the regulation.

The industry also objected to expected high regulatory costs of Cap-and-Invest, but its cost projections were premised on allowance prices at the price ceiling, not at the price floor. If prices actually go to the ceiling, then excess revenue beyond GGRF budget allocations could be used to offset impacts on regulatory costs and affordability, but there is no need to divert revenue from the GGRF to refineries when allowance prices are low as they have been for the last year.

My previous 4-page comment letter expands on these points:

https://scs-public.s3-us-gov-west-1.amazonaws.com/env_production/oid377/did200184/pid_213315/a

Thank you for your consideration of my comments.

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