California Legislative Central Coast Caucus (Assemblymember Dawn Addis)

April 26, 2026
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: 15-Day Cap-and-Invest Amendments Undermine Statutory Climate Goals and Public Investment

Dear Chair and Board Members,

As members of the California Legislative Central Coast Caucus (CLCCC), we write to express serious concern with the April 14, 15-Day Amendments to the Cap-and-Invest program as published on April 14, 2026. CARB has a consequential policy decision before it—one that risks putting California out of alignment with its statutory obligation to reduce greenhouse gas emissions to 40 percent below 1990 levels by 2030. As currently proposed, these changes to the Cap-and-Invest program would materially weaken the emissions cap, reduce funding for critical climate investments, and shift value to regulated industries without corresponding public benefit.

The CLCCC includes California state legislative representatives from communities across the Santa Cruz, Monterey, San Luis Obispo, Santa Barbara, and Ventura counties. Collectively, we represent close to 400 miles of coastline, more than two million Californians, and more than $194 billion for the nation's gross domestic product (GDP). We are uniquely and profoundly affected by the negative effects of climate change.

CARB's proposed amendments are not consistent with the state's legislative direction and intent. While the state has historically relied on a suite of complementary tools to meet emissions targets, many of those tools are currently under threat due to actions by the Trump Administration, including attacks on federal climate programs and California's Clean Air Act waiver authority to regulate vehicle emissions. In the absence of these tools, weakening Cap-and-Invest further undermines the state's ability to meet its statutory obligations. If emissions are not reduced through Cap-and-Invest, California remains legally required to meet its targets, which will necessitate more costly and burdensome direct mandates and regulatory actions.

The proposal's structure raises concerns about the integrity of the cap. By significantly increasing allowance supply and creating an estimated 118 million allowances outside the cap through the Manufacturing Decarbonization Incentive (MDI), the amendments effectively offset the planned decline in emissions between 2027 and 2030. A cap that is functionally neutralized in this way cannot be relied upon to drive the emissions reductions required under state law.

The MDI was never envisioned in statute and represents a substantial departure from legislative direction. As proposed, it functions as a large-scale subsidy program for industry, including oil refiners, funding activities such as fossil-based hydrogen production and out-of-state biofuels at the expense of legislative priorities set out in SB 840. The program lacks clear accountability measures and does not ensure that emissions reductions are real, permanent, or additional.

At the same time, the proposal is projected to reduce Greenhouse Gas Reduction Fund (GGRF) revenues by approximately $2 billion annually. These are not abstract losses. GGRF investments fund programs that lower costs for Californians—clean transportation access, energy efficiency, affordable housing, wildfire resilience, and safe drinking water infrastructure. The proposal will also jeopardize projects already underway that rely on continued funding from programs such as the Transit and Intercity Rail Capital Program, the Low Carbon Transit Operations Program, and the Affordable Housing and Sustainable Communities Program, among others. Reductions of this magnitude will directly constrain the state's ability to deliver benefits to Californians.

The impact on disadvantaged and low-income communities is particularly troubling. To date, approximately 73% of the billions in GGRF investments have been directed to priority populations. The proposal departs from legislative direction for GGRF investments by undermining requirements to prioritize disadvantaged communities and align funding with clean energy goals consistent with the Renewable Portfolio Standard. Reducing available funding at this scale will disproportionately affect the communities already most burdened by pollution and climate impacts.

We are also concerned that the proposal provides substantial additional value to the oil and gas industry without enforceable mechanisms to ensure consumer benefit. There is no clear evidence that increasing allowance supply will result in lower fuel prices. Californians will remain exposed to global price volatility and refinery disruptions, while the program transfers additional economic value to companies that are already reporting strong profits.

Taken together, the proposal presents an unacceptable tradeoff of a weakened and potentially ineffective emissions cap, a significant reduction in public investment through GGRF, and additional uncompensated value to regulated industries. This outcome is inconsistent with both the intent and the design of Cap-and-Invest.

We urge CARB to revise the 15-Day Amendments to ensure the program remains a credible, enforceable mechanism for emissions reduction and a reliable source of public investment. Specifically, CARB should:

• Ensure that the emissions cap represents a real, declining limit that is not offset by off-cap allowances. The proposed MDI program and updated allocation for high-emitting industries must be revised to ensure progress toward our 2030 goals is achievable, and that the market mechanism will function as intended. Industry allowances should be allocated according to demonstrated need and measurable emissions reductions.

• Protect GGRF revenues to sustain investments that directly benefit Californians. Recent modeling shows that Cap-and-Invest program updates that reduce the pollution cap by 180 million tons by 2030 would deliver $2.8 billion in affordability benefits for families earning $70,000 or less, and $1.4 billion more to invest in climate solutions by 2045.

Cap-and-Invest is a cornerstone of California's climate strategy and an international model for combatting climate change. Its effectiveness depends on maintaining both environmental integrity and public benefit. The current proposal, as drafted, falls short on both fronts. We urge CARB to make the necessary revisions before finalizing these amendments.

Sincerely,

DAWN ADDIS GREGG HART
Co-Chair, Central Coast Caucus Co-Chair, Central Coast Caucus
Assemblymember, 30th District Assemblymember, 37th District

JOHN LAIRD
Vice Chair, Central Coast Caucus
Senator, 17th Senate District

Assemblymembers
Dawn Addis (Co-Chair)
Gregg Hart (Co-Chair)
Robert Rivas (Speaker)
Steve Bennett
Jesse Gabriel
Jacqui Irwin
Gail Pellerin

Senators
John Laird (Vice Chair)
Monique Limón (Pres. Pro Tem)
Anna M. Caballero
Henry I. Stern

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