

Neste (Oscar Garcia)

Neste is pleased to submit the attached comments.



May 4, 2026

VIA ELECTRONIC FILING

Ms. Rajinder Sahota
Deputy Executive Officer - Climate Change & Research
California Air Resources Board
1001 I Street
Sacramento, Ca 95814

Re: Neste Comments on Cap and Invest (C&I) Rulemaking Materials Published on April 14, 2026

Dear Ms. Sahota:

Neste appreciates the opportunity to provide these comments to the California Air Resources Board (CARB) regarding the workshop on potential amendments to the C&I regulation. Neste is the world's largest producer of renewable diesel (RD) and SAF, over 90% of which are produced from waste and residues. During the past twenty years, Neste's transformation journey has taken it from a regional oil refiner to a global leader in renewable and circular solutions. Neste's goal is to achieve carbon neutral production by 2035 and supply California with products that will enable the state to be carbon neutral by 2045. We are in the business of combating climate change by producing effective climate solutions.

Neste welcomes this rulemaking to ensure that the C&I regulation incorporates important updates, and to further strengthen the program. Neste appreciates CARB's proposal to focus more on emissions leakage, and as an in-state producer at our Martinez Joint Venture (JV), we welcome efforts to create a more even playing field in the renewable energy market. Neste looks forward to the completion of this rulemaking and will continue being an active partner in the state for reducing GHG emissions.

The comments below pertain to materials provided by CARB on April 14, 2026 and we appreciate your consideration.

CARB Should Continue Doing More to Protect In-state Renewable Energy Production

As noted by CARB in the October 29, 2025 C&I workshop¹, the California C&I program today provides the least amount of industrial free allocations when compared to the rest of the major C&I programs in the world (see Table 1 below from slide 38). In other words, the program provides the least number of free allowances to California industry, forcing it to bear more compliance costs compared to industry in the EU and other jurisdictions with similar programs. We appreciate CARB's focus on this, as high compliance costs are one of the many factors that result in industry relocating out of state.

Table 1: Industrial Allocations vs Covered Emissions Ratio Among C&I Programs

Jurisdiction	2023 Industrial Covered Emissions	2023 Free Industrial Allowance Allocation	Ratio of Industrial Allocation to Industrial Covered Emissions (%)
California	54,876,876	32,921,049	60%
Washington	9,182,283	9,162,037	~100%
Québec	19,734,923	19,543,087	99%
European Union	628,571,429	528,000,000	84%
United Kingdom	50,900,178	36,856,294	72%

¹ https://ww2.arb.ca.gov/sites/default/files/cap-and-trade/meetings/nc_CapInvestWorkshop_October2925.pdf, see slide 38

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CARB is probably also aware that in-state operators must contend with much higher operating costs compared to U.S. domestic out-of-state producers. Below are some high-level examples:

- Electricity and natural gas prices are on average **300% higher** in California compared to regions such as the US Gulf Coast^{2,3};
- Labor costs are **13-14% higher** in California when compared to energy producing states like Louisiana and Texas⁴; and
- Overall compliance costs are much lower for U.S. domestic out-of-state producers as they do not need to comply with California's advanced environmental and climate regulations.

Neste supports the proposal to not remove 118.3 million credits from the allowance budgets through 2030 and instead use these allowances to create the Manufacturing Decarbonization Incentive Allocation Allowances. Neste also appreciates that CARB is now proposing that biorefineries are now eligible for the Manufacturing Decarbonization Incentive Allocation. This should help drive investment in low-carbon technologies at facilities such as our Martinez JV, while also still achieving overall GHG reductions within the C&I program. Neste recommends that CARB evaluate how to continue the Manufacturing Decarbonization Incentive Allocation after the 118.3 million credits are exhausted, especially in light of cuts in federal investments in renewable energy.

Neste also believes that emissions leakage from the renewable fuels sector could result in fossil fuels replacing such renewable energy. There are still more logistical and production channels in the fossil fuels industry, and a renewable diesel plant shutting down, for example, is likely to be replaced with fossil diesel imports and not renewable diesel imports. CARB should continue evaluating what it can do to protect U.S. in-state production from escalating compliance and operating costs.

Additional Comments to Consider as Part of this Rulemaking

As part of this rulemaking, Neste also has the following comments:

- **Cap Assistance Factor (CAF):** Neste appreciates the adjustments to the CAF that will ensure in-state biorefineries can compete with out-of-state facilities, but we look forward to understanding how this adjustment will carry forward after 2030. Neste recommends that CARB continue monitoring for continued leakage within California, and further adjust the CAF to reduce leakage.
- **Exempt Biomass-Based Emissions:** Neste appreciates the exemption for biomass-based fuels as proposed in the C&I regulation.
- **Allocation to Biorefineries:** Neste appreciates that biorefineries will be eligible for an industry allocation.

Neste looks forward to continued participation in the C&I rulemaking, and being a partner for reducing GHG emissions in California.

² https://www.eia.gov/dnav/ng/ng_pri_sum_a_EPG0_PIN_DMcf_m.htm

³ https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=epmt_5_6_a

⁴ <https://www.bls.gov/oes/2023/may/oes518093.htm>, see "Geographic profile for Petroleum Pump System Operators, Refinery Operators, and Gaugers"

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Please feel free to contact me if you want additional information or have questions regarding our submission.

We appreciate your consideration.

A handwritten signature in black ink, appearing to read "Oscar Garcia", with a stylized flourish at the end.

Oscar Garcia

Senior Regulatory Affairs Manager
Neste US, Inc.