

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814



May 4, 2026

Lauren Sanchez
Chair, California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Appearance Before the Legislature to Discuss Amendments to Cap & Invest

Chair Sanchez,

We write to you—as representatives of one coequal branch of government to another—with concern for the state of the proposed amendments to the Cap-and-Invest program. While we appreciate the gesture of extending the 15-day comment period by 5 days on the latest revisions, this was not sufficient to ease our concerns. Given these concerns, we look forward to discussing the proposed amendments in more detail at our joint hearing on Wednesday, May 6th, outside of the comment period and as a part of our critical oversight role.

Specifically, this letter and Wednesday’s hearing are necessary because, unfortunately, the regulations CARB is proposing to implement AB 1207 and SB 840 are, in our view, inconsistent with direction provided by the Legislature.

When the Legislature renamed Cap-and-Trade to Cap-and-Invest, we stated, “It is the intent that it be a *“cost-effective, market-based approach to reduce emissions of greenhouse gases”* and that the *“direct and indirect investments the mechanism has demonstrated, and should continue to demonstrate,”* will result *“in cost-effective emission reduction measures.”* We require further clarification regarding how the amendments CARB intends to vote on later this month achieve these aims.

Along with this letter we are including several detailed questions based on several core concerns. Our expectation is that we can have a thorough conversation regarding these at the May 6th hearing given the program's importance as well as the delicate rulemaking timelines expressed by the board. Our foremost concerns and most pressing questions are:

- **The Legislature's clear intent and direction are not consistently and faithfully executed.** We directed CARB to prioritize cost-effectiveness. Did CARB consider the relative cost-effectiveness of additional industry incentives against the entire suite of California Climate Investments supported by GGRF that will lose funds as a result? How are the cost
- **The proposed amendments confound our ability to achieve our climate goals and preserve the integrity of the cap.** What evidence, oversight, and recourse will CARB use to ensure that one Manufacturing Decarbonization Incentive allowance will represent one bona fide ton of emission reductions?
- **The proposed amendments make significant changes to the investments funded by the program without any legislative direction.** AB 1207 requires CARB and other agencies using GGRF money to, upon request by the Legislature, report annually on the expenditures of GGRF. How are the 20-plus agencies implementing programs funded by GGRF planning to adjust their programs based on reductions to anticipated reductions in GGRF revenues? Were they consulted before this proposal was released?

Many of our concerns relate to the Manufacturing Decarbonization Incentive (MDI), and for good reason. **MDI was in no way proposed or intended by the Legislature in passing or reauthorizing Cap-and-Invest.** The impact of this incentive is drastic, jeopardizing our efforts to aggressively address climate change.

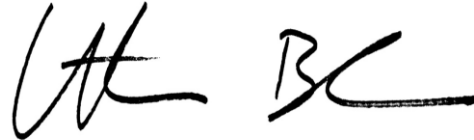
The Legislature has demonstrated its commitment to addressing the high cost-of-living Californians face today while building the clean energy future of tomorrow. Through the annual budget process of the funds raised by Cap-and-Invest auctions, the Legislature has committed ongoing investments in transit, sustainable housing development, wildfire mitigation, clean water, and clean air in the state's most burdened communities. The creation of the MDI disrupts those commitments and defunds those priorities in order to ply industry with further incentives to do more of what they do today, pollute. We remain skeptical that more allowances to industry will help Californians weather the historic fuel prices being caused by the United States current conflict with Iran. The best way to address affordability is by making strategic investments to protect public health and transition California off fossil fuels; these proposed amendments run counter to that vision.

Our policies and our rulemaking must reflect the intent of the Legislature. We welcome CARB's continued engagement as these regulations approach their final vote, and we hope this week's hearing will help provide clarity where it is sorely lacking today.

Sincerely,

A handwritten signature in black ink, appearing to be 'Eloise Gómez Reyes', written in a cursive style.

Senator Eloise Gómez Reyes
29th Senate District

A handwritten signature in black ink, appearing to be 'Catherine Blakespear', written in a cursive style.

Senator Catherine Blakespear
38th Senate District