

Friday, August 1, 2025

Governor Gavin Newsom	Senate Pro Tem Mike McGuire	Assembly Speaker Robert Rivas
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Submitted electronically

Letter from EJAC Co-Chairs to the California Governor and Legislature

Dear Governor and Members of the Legislature,

As you consider the reauthorization of California's cap-and-trade program, your decisions will define our state's climate future for the next decade and beyond. We write as Co-Chairs of the AB 32 Environmental Justice Advisory Committee (EJAC) to urge you to act boldly—drawing on the deep engagement, expertise, and lived experience that EJAC brings to the AB 32 process. California's climate policies, including cap-and-trade, must finally keep their promise: they must substantively improve conditions in communities already overburdened by pollution while carving a path to zero carbon emissions.

From the start, cap-and-trade has been deeply flawed. It relies on pollution trading instead of direct, enforceable reductions. It has failed to protect frontline communities, instead prioritizing cost savings for polluters over the health and well-being of residents. These concerns are not new. We have raised them consistently through direct engagement with staff and leadership at the California Air Resources Board (CARB) and the legislature as well as in testimony, comment letters, and Scoping Plan deliberations—only to see them ignored while harms to our communities persist.

EJAC was created by Health and Safety Code § 38591; our charge is to ensure that the lived experiences of those most harmed by pollution shape California's climate policy. Independent analyses, including from the Legislative Analyst's Office, confirm what we have long warned: cap-and-trade lacks accountability, fails to deliver equitable outcomes, and is not on track to meet the state's climate targets without deepening injustice.

Legislative reauthorization of the program is a chance to course correct and provide CARB with critical direction on how to strengthen the program while making it more equitable. Without structural reform, cap-and-trade will remain a weak, inequitable program that sacrifices the health of low-income, Black, Brown, and immigrant communities—those who contribute least to climate change but bear its heaviest burdens.

Make no mistake: Economic justice is environmental justice. A stronger program that achieves real emissions reductions and generates more revenue for significant investments in frontline

communities will address the affordability crisis and improve health and quality of life for environmental justice neighborhoods.

EJAC has spent years working with CARB staff, community-based organizations, academic experts, and partner coalitions to produce concrete, justice-centered solutions. The attached Amended Cap-and-Trade Resolution (Attachment B), scheduled for formal approval at our August meeting, reflects that collaborative work. These recommendations align with the Environmental Justice Scenario (Attachment A) advanced as part of [our detailed recommendations on the 2022 Scoping Plan](#)—a pathway to meet California’s climate targets while improving quality of life and economic prosperity for overburdened communities.

We urge the Legislature to adopt the following core reforms:

- **Eliminate offsets.**
- **End free allowances for the industrial sector.**
Require direct, enforceable emissions reductions.
- **Establish no-trade zones and/or facility level caps in environmental justice communities.**
- **Prohibit permitting, including expansion, of polluting facilities in environmental justice communities.**
- **Strengthen the Community Air Protection Program established by AB 617.**

For more than 20 years, EJAC has warned that the design of cap-and-trade would fail our communities. We have, unfortunately, been proven right. Now is the time to act. Give CARB the clear legislative direction it needs to align cap-and-trade with California’s equity mandates and climate goals.

We welcome the opportunity to meet with you and your staff to discuss these urgent reforms. Our charge is clear: to ensure that the communities most impacted by pollution and climate risk are not an afterthought, but a driving force in California’s climate future. We need the California Legislature to finally make good on the promises made to our communities.

Sincerely,

Martha Dina Argüello, EJAC co-chair
Executive Director, Physicians for Social Responsibility-Los Angeles

Catherine Garoupa, EJAC co-chair
Executive Director, Central Valley Air Quality Coalition

Appendix A: Table Summary of Direct Emission Reduction Strategies

Note: these numbers are estimates based on CARB GHG inventory data and E3 Achieving Carbon Neutrality report and some may be underestimated, but demonstrate significant reductions for each of these sectors and identify the clean energy replacements necessary

Sector	Relevant Statutes	Proposed Policy	Direct Emissions Reductions (% or MMT)	Equitable Implementation of Policy
Transportation	AB 32, AB 197, SB 375	100% light-duty vehicle sales are ZEV by 2035. 100% medium- and heavy-duty vehicle sales are ZEV by 2035. 100% drayage trucks ZEV by 2030 30% VMT reductions by 2035 to get to 11% transit ridership. Increase MPO GHG reduction target to 25% by 2035.	28.5% GHGs from light-duty vehicles cut. 7.8% of State GHGs from heavy-duty vehicles cut.	Policy signals for transit investments to implement CAPTI and CTP. Increased funding for ZEV equity programs for disadvantaged communities. Increased SB 375 targets. Increased VMT reduction targets with policy signals to help with accountability. Ensure equity throughout the Advanced Clean Fleet rulemaking. Mandate truck retirement after a vehicle's useful life, and encourage fleets to transition trucks voluntarily even sooner.
Refineries	AB 197, SB 32, AB 32	Direct the state to plan, coordinate, and manage the phase down of oil refining by 2045.	7% of state GHGs cut.	By 2024, in collaboration with impacted workers and communities, adopt an interagency plan with regular milestones to manage the decline of California oil refinery production of gasoline, diesel, and other fossil fuels, reflecting California's plans to decarbonize transportation. Create a robust multi-year safety net for fossil fuel workers and impacted communities.
Oil & gas Extraction	AB 32, AB 398, AB 197, SB 32	Direct the state to phase out oil and gas extraction by 2035.	4% of state GHGs cut.	Adopt statewide comprehensive health and safety setbacks of at least 3200ft. for new and existing wells. Facilitate a mandated, managed phased decline of extraction. Ban rework permits & consider policies such as severance taxes to facilitate phase out.
Industrial	AB 197, SB 32, SB 596	Prioritize investments in clean innovative technologies to reduce process emissions and material emissions to reach at minimum 72% electrification & green hydrogen sources combined.	SB 596 calls for cuts in GHG emissions to at least 40 percent below the 2019 average levels by December 31, 2035 for the cement sector.	Channel investments into Research & Development, pilot programs, etc. to reduce maximum levels of emissions directly from both materials used and from the manufacturing process. Facilitate incremental industrial electrification to reach 100% clean energy sources by 2045, including through industry electrification via renewables and direct hydrogen combustion via dedicated clean Hydrogen pipelines (not biomass or RNG based). Ensure any switched fuels and new technologies/materials used do not increase local air pollution in disproportionately burdened communities. Apply best available control technologies to reduce pollution in the interim until 100% zero-emissions facilities are achieved. Start this transition in disadvantaged communities first.
Electricity	SB 100, SB 350, PUC	The Scoping Plan should support a target	17% of State GHGs cut.	The Scoping Plan should strongly support the CPUC and CAISO in locationally-targeted planning and procurement now to retire emitting resources, with priority for disadvantaged communities and those

Sector	Relevant Statutes	Proposed Policy	Direct Emissions Reductions (% or MMT)	Equitable Implementation of Policy
	454.51(a), E.O. B-55-18	of no more than 30 MMT, as referenced in the CPUC's RESOLVE sensitivity analysis. The Scoping Plan should encourage additional analyses of deeper decarbonization such as a 15 MMT target.		adjacent, such as the Los Angeles Basin and the San Joaquin Valley.
Agriculture (incl. Pesticides)	AB 32	<p>Directly reduce emissions from pesticides and their application, especially those chemicals identified by Californians for Pesticide Reform and Pesticide Action Network as priority.⁷</p> <p>Transition large-scale, resource-intensive, and polluting factory farms to agroecological models.</p>	8% of state GHGs cut.	<p>Emissions reductions from energy consumed by California's agricultural sector, including post-harvest processing, use of tractors and other farm equipment, and water import and irrigation. There should be no energy created from agricultural waste that creates additional greenhouse gasses or toxic emissions, such as with dairy digesters and bioenergy plants.</p> <p>Include an ambitious pesticide reduction target to 1) reduce the use of synthetic pesticides by 50% by 2030 and 2) reduce the use of hazardous pesticides by 75% by 2030, starting with organophosphates, fumigants, paraquat and neonicotinoids.</p>
Buildings (Residential & Commercial)	SB 350, AB 197, SB 32	<p>Transformative and comprehensive energy efficiency upgrades, prioritizing low-income communities and disadvantaged communities.</p> <p>100% sales of electric appliances by 2030.</p> <p>All gas end uses</p>	11% of state GHGs cut.	Ensure that the Building Energy, Equity and Power (BEEP) Coalition's Energy Justice Framework

⁷ Pesticide Action Network and Californians for Pesticide Reform comment letter to CARB for 2022 Scoping Plan Update Natural and Working Lands Scenarios Technical Workshop. https://www.arb.ca.gov/lispub/comm2/bccomdisp.php?listname=nwl-2021-scen-ws&comment_num=70&virt_num=69.

Sector	Relevant Statutes	Proposed Policy	Direct Emissions Reductions (% or MMT)	Equitable Implementation of Policy
		should be retired by 2045.		statement ⁸ & Listening Sessions report's recommendations ⁹ & comment letters ¹⁰ are incorporated into the Scoping Plan. Ensure the \$922 million proposed in the Governor's January budget is adopted to go toward a new CEC Equitable Building Decarbonization program for incentives and a direct install program targeted toward low-income residents to provide heat pumps for cooling, energy efficiency, and building insulation and sealing. This program must enable holistic building upgrades, offer inclusive household eligibility by prioritizing those most vulnerable, engage in community partnerships and effective state and local coordination, and include strong tenant protections and anti-displacement measures in order to be just and equitable. Furthermore, this program should be connected to other clean energy and efficiency programs where possible, such as the Low-Income Weatherization Program (LIWP), in addition to existing and emerging bill protections plans to ensure that low-income residents do not see even higher utility bills due to any home upgrades.
All Sectors	N/A	N/A	Total state GHG cut directly (not including Industrial) = 83.3%	N/A

⁸ Building Energy, Equity and Power (BEEP) Coalition, *Energy Justice Framework statement*, https://docs.google.com/document/d/1iSN-_TSSjKd9-9yXi7xNkvYgEC0-XDs4heDXTEmQs30/edit.

⁹ Building Energy, Equity and Power (BEEP) Coalition Report and Recommendations to CARB, March 1, 2022 https://ww2.arb.ca.gov/sites/default/files/2022-03/BEEP%20Letter%20and%20Report_Equitable%20Decarb%20March%202022.pdf.

¹⁰ See Miller, Colin's comment letter responding to CARB's Decarbonization workshop on December 13, 2021, submitted on behalf of BEEP Coalition. <https://www.arb.ca.gov/lispub/comm2/bccommlog.php?listname=sp22-buildings-ws>.

EJAC Cap and Trade Resolution
Original Version Approved by EJAC: November 2024
Draft Amended by EJAC: August 2025

WHEREAS, the California Air Resources Board's (CARB) charge to coordinate the regulation of greenhouse gases (GHGs) under the Global Warming Solutions Act (AB 32, Núñez, 2006) also requires CARB to complement the state's efforts to achieve and maintain national and state ambient air quality standards and to reduce toxic air contaminants; and

WHEREAS, the cap-and-trade market permits polluters to trade allowances and purchase offsets without regard for the geographic location of their facilities emitting greenhouse gases, despite the location of an emitting facility having a significant, direct, and cumulative co-pollutant impact on certain communities and not others; and

WHEREAS, the legislature has instructed CARB to prioritize direct emissions reductions when designing policies to reach the state's climate goals (AB 197, E. Garcia, 2016); and

WHEREAS, Health and Safety Code Sec 28562 requires CARB to ensure that activities "do not disproportionately impact low-income communities," and

WHEREAS, AB 32 directs CARB to convene an Environmental Justice Advisory Committee (EJAC) to advise it on development of the Scoping Plan and any other pertinent matter related to implementation of that legislation; and

WHEREAS, the California Office of Environmental Health Hazard Assessment (OEHHA) report *Benefits and Impacts of Greenhouse Gas Limits on Disadvantaged Communities* (2022) found that Covered Facilities (the stationary sources whose greenhouse gas emissions are regulated by the cap-and-trade program) are three times more likely to be located in or near communities already disproportionately burdened by environmental, socioeconomic, and health issues, based on CalEnviroScreen data (also known as "High CES score" or "Disadvantaged Communities") and high percentage communities of color; that 71% of refineries, 61% other combustion sources, 57% of cogeneration sources, and 49% of electricity generation sources were located in Disadvantaged Communities; and that there has been a *net increase* in greenhouse gases and PM2.5 between 2012 - 2018 in the Disadvantaged Communities with refineries and hydrogen plants; and

WHEREAS, AB 398 (E. Garcia, 2017) § 38592.5 (a)(1) designated the cap-and-trade program to be "the rule for petroleum refineries and oil and gas production facilities to achieve their greenhouse gas emissions reductions," which chilled regional efforts to directly regulate refinery greenhouse gases; and

WHEREAS, in stark contrast, the electricity sector, which is also significantly and directly regulated by the Renewable Portfolio Standard, has seen net decreases in emissions in

environmental justice communities. Notably, the electricity sector is also responsible for the largest share of greenhouse gas emission reductions statewide; and

WHEREAS, the Legislative Analyst's Office 2023 assessment of the 2022 Scoping Plan update shows that we are not on track to reach the 2030 GHG reduction targets and that the plan lacks specificity, including around the role and expected reductions from the cap-and-trade program; and

WHEREAS, the San Joaquin Valley and South Coast air basins are still in non-attainment and continue to struggle to achieve health protective air quality standards, with disparately impacted environmental justice communities bearing the brunt; and

WHEREAS, the public health and social costs of air pollution and the climate crisis, and particularly the disparate impacts on communities of color and low income communities, continue to be challenging to quantify and are therefore underestimated and inadequately represented in existing models and plans; and

WHEREAS, Assembly Bill 398 in 2017 directed CARB to provide more free allowances to polluting industries than CARB's own studies indicated are necessary to protect against the risk of emissions leakage, enriching the oil industry in particular, depriving the state of additional revenue, and further limiting the cap-and-trade program's ability to reduce pollution in line with statutory requirements; and

WHEREAS, multiple, independent peer-reviewed studies have documented serious problems with the carbon offsets program that suggest it is failing to achieve statutory standards, and even market participants are openly admitting that they are getting paid for avoiding timber harvests they are legally prevented from making, but CARB staff are not proposing to make changes to the program; and

WHEREAS, the supply of hundreds of millions of low-quality carbon offset credits defers pollution reductions and further weakens the cap-and-trade program's ability to reduce emissions as required by state law; and

WHEREAS, in 2017 when the Legislature decided to reauthorize the cap-and-trade program with AB 398 (E. Garcia), they coupled AB 617 (C.Garcia) to create the Community Air Protection Program to address concerns about pollution increases, without consultation or consent from environmental justice communities; and

WHEREAS, the Community Air Protection Program did not create any new authorities for CARB to ensure that air district rulemaking and permitting decisions are aligned with the state's climate programs, and are resulting in direct emissions reductions from individual sources; and

WHEREAS, in 2024 there is little to no evidence that the Community Air Protection Program or any other AB 32 initiative is providing sufficient emissions reductions and public health

protections to address the inequities resulting from implementation of the cap-and-trade program; and

WHEREAS, the experiment of California's cap-and-trade program has granted significant cost-savings for the largest stationary sources of climate and air pollutants through the trade or purchase of emissions credits at a fraction of the cost of direct regulation, which would have guaranteed direct, real, and verifiable emissions reductions.

NOW, THEREFORE BE IT RESOLVED that the EJAC recommends that the CARB board direct staff to protect environmental justice communities, ensure timely progress is made to meeting health protective clean air standards, address issues of disparate impact, and improve affordability by incorporating the following changes through rulemaking:

1. Eliminate free allowances for the industrial sector.
2. Eliminate offsets.
 - a. If CARB does not eliminate offsets, they should correct the values of projects proven to be overestimated and prioritize projects within the state.
 - b. If CARB does not eliminate offsets, they should prohibit the use of offsets to fund projects that increase air or water pollution.
3. Cumulative health impacts and long overdue real, quantifiable, verifiable, surplus and permanent air pollution reductions in environmental justice neighborhoods must be assured, including but not limited to by:
 - a. Restricting trading in disadvantaged communities ("no trade zones") or establishing facility-level caps, particularly for sectors in which emissions have failed to decrease at a rate equivalent to the overall declining cap.
 - i. If CARB requires an affirmation of authority, it should make that request from the legislature to better safeguard Californians living near stationary sources in Disadvantaged Communities who have lived with greenhouse gas and related air pollution increases and/or a slower rate of air quality improvement in comparison to non-Disadvantaged Communities.
 - b. Prohibiting permitting - including expansion - of stationary sources in disadvantaged communities that directly emit pollution (toxic air contaminants, criteria air pollutants, and / or greenhouse gases) and / or that increase the volume or concentration of indirect or areawide pollution, including but not limited to mobile sources.
 - c. Conducting statewide audits of facilities operating within environmental justice communities, including but not limited to by conducting permit reviews, site inspections, and source testing at pollution sources in priority communities.
 - d. Ensuring direct emissions reductions beyond the Community Air Protection program, and that EJ communities are not experiencing foregone reductions due to carbon markets.
 - e. Strengthening the Community Air Protection Program established by AB 617, including but not limited to:

- i. making community plans legally enforceable by CARB and citizens,
 - ii. targeting funds at community priorities rather than industry incentives and agency overhead,
 - iii. improved data transparency, including online access to all air permits, and
 - iv. Ensuring Best Available Control Technology (BACT) and Best Available Retrofit Control Technology (BARCT) are implemented, and permits and standards are reviewed every 5 years.
4. Prohibit crediting for Carbon Capture or Direct Air Capture projects, both in and out of state.
5. Require annual certification by the Board and Executive Officer that the program is being carried out in compliance with the civil rights requirements of Title VI of the 1964 Civil Rights Act and California Code 11135.
6. Continue to build on previous work for adaptive management planning.

BE IT FURTHER RESOLVED that the EJAC recommends that CARB conduct a thorough analysis of allowances, offset credits, and other compliance mechanisms within the existing system. This analysis should include whether use of the total number of compliance instruments would jeopardize the 2030 emissions target established in law. Data reporting should be strengthened to require annual reports (rather than every three years) to ensure timely tracking of emissions changes.

BE IT FURTHER RESOLVED that the EJAC urges CARB to address how changes to the Low Carbon Fuel Standard, California's carbon market for fuels, interplays with changes to the cap-and-trade program, particularly in regard to adverse impacts on environmental justice communities and the implications of pass-through costs on retail energy prices.

BE IT FURTHER RESOLVED that the revenue generated by cap-and-trade cannot be used as a justification to keep the program as is. It must be acknowledged that, if the program functions as it is supposed to, the funds will greatly diminish over time. Furthermore, current funding must be better directed to frontline environmental justice communities.

BE IT FURTHER RESOLVED that the spending choices made regarding the Greenhouse Gas Reduction Fund and the distribution of allowance value from utility allocations should prioritize equity and provide direct investment in environmental justice households.

BE IT FURTHER RESOLVED that, pursuant to Governor's Executive Order B-10-11, Native American Tribes have an inherent right to exercise authority over their members and territory, which includes removing their lands from carbon offset agreements;

BE IT FURTHER RESOLVED that the EJAC requests CARB to clarify, in writing, where it has decided that it does not have legislative authority or political will to implement any of the above.