

Project Title: Regulatory Amendments to the Cap-and-Invest Program
SCH# 2023090422

Project Location: Statewide

Public Meeting Date: *May 28-29, 2026; Agenda Item 26-3-3*

Project Description: The proposed amendments to the Cap-and-Invest Regulation maintain and continue greenhouse gas reductions, help support achievement of the State's longer-term climate targets, implement legislative direction (including from AB 1207), and include various provisions designed to achieve these goals. Key changes include updating annual allowance budgets through 2045 to align with the State's climate targets and providing further measures to address leakage, or risk of manufacturers shifting emissions outside the State. The proposed amendments provide enhanced electricity bill relief by increasing the California Climate Credit through increased free allowance allocation to electric utilities. The proposed amendments transfer allocated allowances from natural gas utilities to electric utilities while maintaining natural gas bill relief for low-income customers. The proposed amendments also increase emissions leakage protection for industry by providing additional allowance allocation and compliance options for industry, including in-state refiners, through 2030, recognizing the unprecedented economic and energy disruptions currently experienced in response to federal policy actions.

Office of the Secretary

JUN 03 2026

California Natural Resources Agency

This notice is to advise that the California Air Resources Board (CARB or Board), as the lead agency, approved the above project on May 29, 2026.

CARB prepared an environmental impact analysis (EIA) for the project in accordance with the requirements of its certified regulatory program under CEQA. (Cal. Code Regs., tit. 14, §15251, subd. (d)). The Draft Environmental Impact Analysis for the proposed Regulatory Amendments to the Cap-and-Invest Program (Draft EIA) concluded implementation of the project may result in significant adverse environmental impacts. Suggested mitigation measures were considered and proposed as part of the EIA. A mitigation reporting or monitoring plan was not adopted for this project because CARB lacks the jurisdiction to implement the suggested mitigation measures and made findings in the EIA to that effect, consistent with CEQA Guidelines section 15091(a)(2). The Board made CEQA findings and adopted a statement of overriding considerations for this project.

Staff prepared written responses to comments received during the 45-day comment period that raised significant environmental issues pertaining to this item. The written responses to

these environmental comments are included in the Response to Comments on the Draft Environmental Impact Analysis prepared for the proposed Regulatory Amendments to the Cap-and-Invest Program. While comments filed after the noticed 45-day CEQA comment period did not require a response, staff also prepared written responses in the Response to Comments to comments received during the subsequent 20-day comment period that raised significant environmental issues, and also prepared a Supplemental Response to Comments addressing comments made during the May 28, 2026, Board Hearing. These comments and responses were provided to Board Members for consideration prior to project approval.

The Final EIA and all other related documents, including the Response to Comments on the Draft EIA prepared for the proposed Regulatory Amendments to the Cap-and-Invest Program and the Supplemental Responses to Comments prepared for the proposed Regulatory Amendments to the Cap-and-Invest Program, are available for public inspection on the CARB rulemaking webpage at: <https://ww2.arb.ca.gov/rulemaking/2026/cap-and-invest2026>.

These documents may also be examined at:

California Air Resources Board
Attn: Board Administration and Regulatory Coordination Unit
1001 I Street
Sacramento, CA 95814

Certified: Rebecca Fancher /s/
CARB CEQA Unit

Date: 6/3/2026