

Morgan Stanley

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California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

To the California Air Resources Board:

Morgan Stanley Capital Group Inc. (“Morgan Stanley”) welcomes the opportunity to comment on the California Air Resource Board (CARB) Workshop held on October 5, 2023 concerning the potential phase-out of the RPS Adjustment within the Cap-and-Trade Regulation. For context, Morgan Stanley is an active supplier of RPS products to many California load serving entities.

Morgan Stanley appreciates the importance of continued evaluation of the Cap-and-Trade program and components within it to judge their relevancy to the intent and evolving goals of the program. We also appreciate that elements that may have been necessary at one time may not align with the current goals of the program. Understanding this, Morgan Stanley urges caution and advocates for an appropriately timed phased-in approach that would be implemented after the expiry of most currently existing contracts. To foster trust from the market, CARB should strive to minimize the impact of regulation changes so as not to penalize those participants who supported the CARB language as it was written and contracted out many years ago. Hastily implemented changes would introduce unnecessary incremental costs and risks which will be absorbed by the market and ultimately borne by California ratepayers.

Morgan Stanley suggests that any change in regulation should not be implemented before the end of the next upcoming compliance period (ending 2026) to allow for proper evaluation of the proposed rule change and to give market participants a reasonable amount of time to adjust their forward planning and cost management strategies.

Sincerely,

Jeremy Lamb  
Vice-President  
Morgan Stanley Capital Group Inc.