

Clearing the Zero-Emission Path

A Review of Financial Transfers to Polluting Fuels via California Carbon Trading Programs

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The logo for The Climate Center, featuring the text "the climate center" in white lowercase letters on a blue background with a yellow and green border.

the
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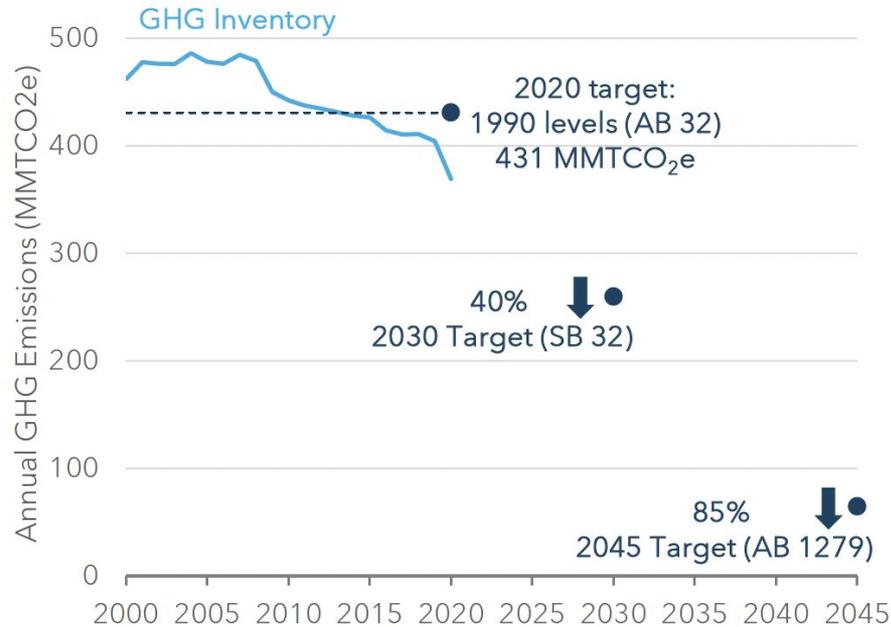
The Context

A very brief review of California's climate programs

- The California Cap and Trade/Invest program
- The Low Carbon Fuel Standard in California
- Will these programs take us where we need to go?

California GHG Reduction Targets

Achieved AB 32 target in 2014



ACHIEVING
CARBON
NEUTRALITY
BY **2045**

GHGs included in statute: Carbon dioxide (CO₂), Methane (CH₄), Nitrous oxide (N₂O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), Sulfur hexafluoride (SF₆), Nitrogen trifluoride (NF₃).

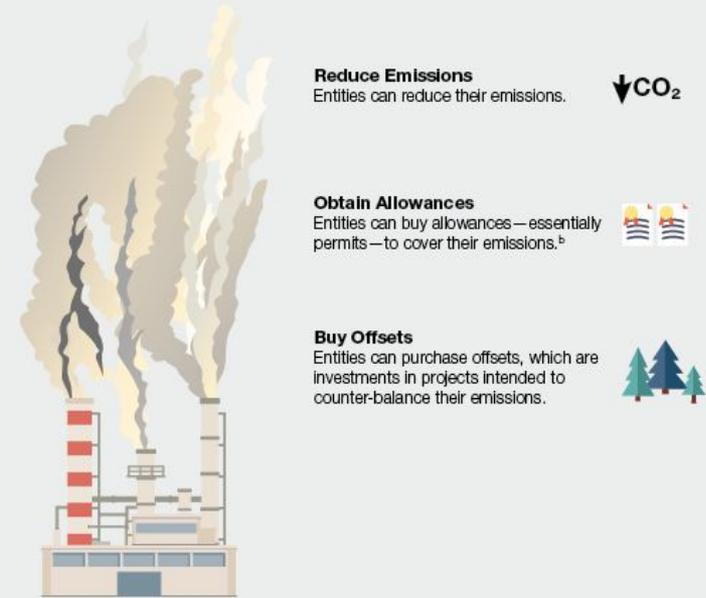
Cap-and-Trade / a carbon trading program

for more information go to '[Reforming California's Cap-and-Trade Program](#)', a policy brief by the Climate Center

- Reduce emissions cost effectively
- Emitters buy or sell allowances
- Allowances generate revenues for the Greenhouse Gas Reduction Fund (GGRF)

Figure 2

Ways Entities Can Comply With the Cap-and-Trade Program^a



^a "Covered entities" subject to the cap include large GHG emitters such as oil refineries, electricity generators and importers, and manufacturing facilities.

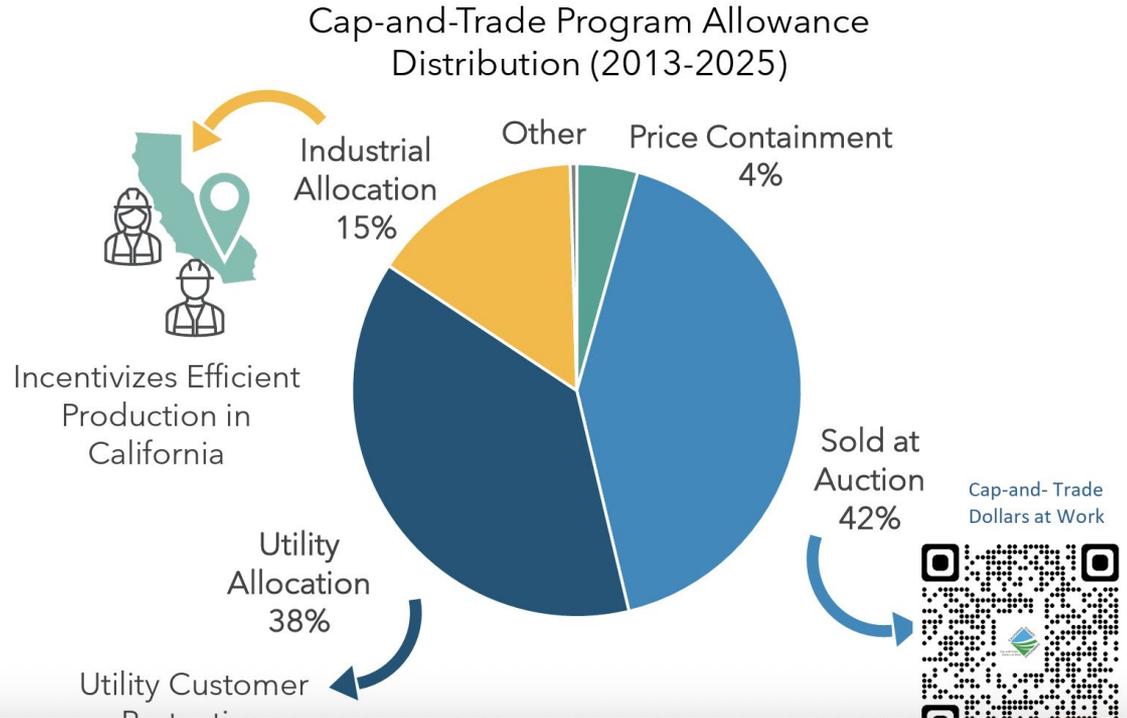
^b Some covered entities receive free allowances, such as some utilities, natural gas suppliers, and industrial facilities.

GHG = greenhouse gas and CO₂ = carbon dioxide.

Cap-and-Trade Allowance Distribution Averages

Allowance value distribution

- Sale at auction funds California Climate Investments and AB 617 efforts
- Free distribution to utilities for customer protection
- Free distribution to protect CA jobs and businesses



Cap-and-Trade HIGHLIGHTS

Cap-and-Trade was launched in 2012 to reduce greenhouse gas emissions. It places a long-term steadily increasing price on climate pollution.

HOW IT WORKS



Statewide cap limits total climate pollution



Emitters reduce climate pollution or pay increasing prices



Climate pollution emissions drop over time

BENEFITS

GHG reductions

- ✓ 2020 GHG reduction targets achieved early
- ✓ Climate pollution down 14% below 1990 levels
- ✓ Spurred innovation and clean technology deployment

OVER \$40 BILLION invested in communities

\$25.6 billion supports programs to improve air quality in overburdened communities



\$15 billion to benefit utility customers, including \$7.4 billion in credits on utility bills

WHAT'S NEXT

CARB is making stringency updates to align program with new GHG emissions reductions target of 85% by 2045.



The Road to Zero Emissions

CARB has put a roadmap in place to drastically reduce our dependence on petroleum in the transportation sector by 2045.

AB
32

Requires we cut GHGs.
To reach goals, fuel use must be cut by 94%.



How cuts happen?

Zero emission cars, trucks and fuels.



ACT

ACC

ACF

CARB rules that make that possible:

Advanced Clean Trucks, Advanced Clean Cars, Advanced Clean Fleets

- ACT: Phases out sale of most fuel-powered trucks by 2035
- ACC: 100% ZEV sales requirement by 2035
- ACF: Requires that trucks in CA be zero emissions by 2045

LCFS

All together, these actions will help us build a cleaner, healthier California for current and future generations.

Governor Newsom creates new oversight committee to monitor oil companies



Makes fuel less polluting and encourages production of cleaner alternatives

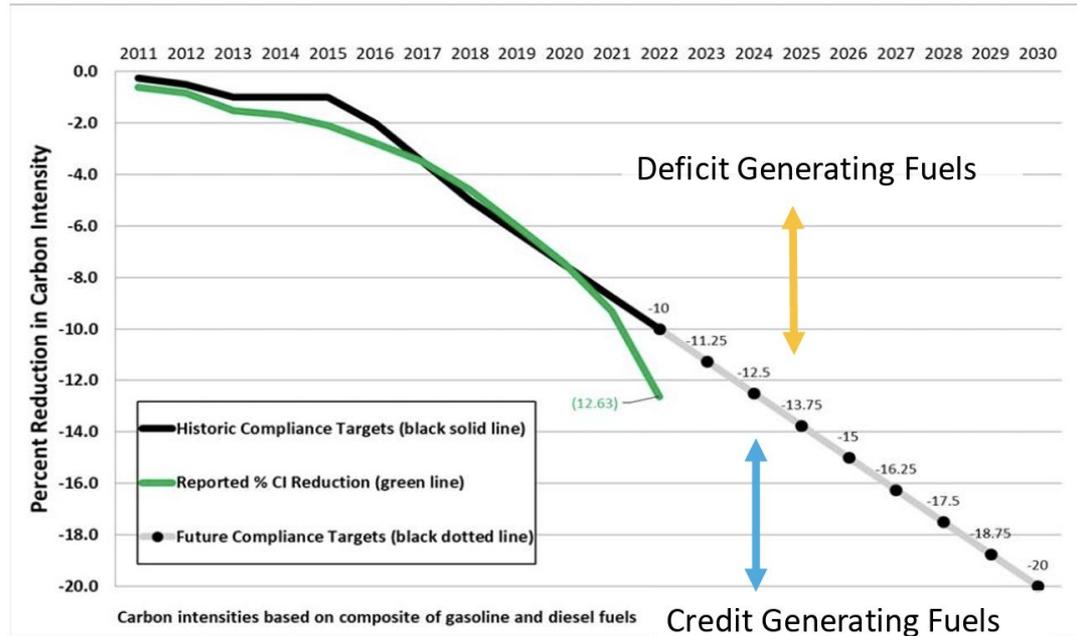
How it works:

Dirty Fuel

Cleaner Fuel



Declining Carbon Intensity Target



Last Updated 04/28/23

Examples of LCFS credit generating fuels:

- Renewable diesel
- Biodiesel
- Biomethane
- Ethanol
- Electricity
- Hydrogen
- Sustainable Aviation Fuel
- Renewable gasoline

California's biofuel bias is hampering its EV future. Can that change?

The California Air Resources Board is at a crossroads: It can stay the course on its widely criticized Low Carbon Fuel Standard — or transform it to meet climate goals.



By **Jeff St. John**
12 March 2024



Not all that glitters is gold.....

