Environmental & Affordability Impacts of CARB's Cap & Invest Rulemaking

Chloe Ames, Policy Advisor
NextGen California

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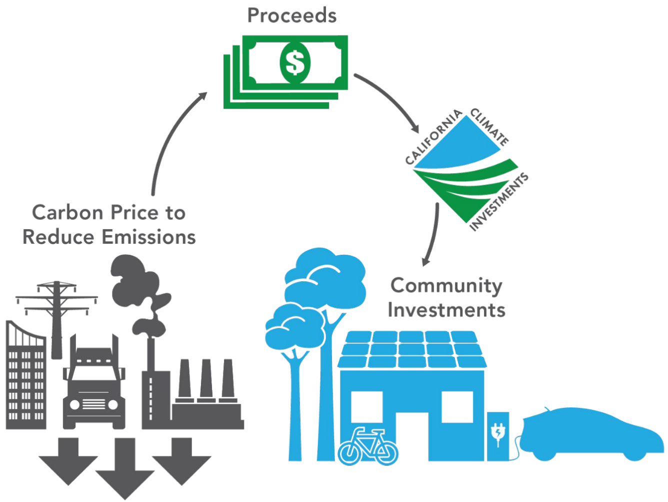
Cap-and-Invest Program Impacts

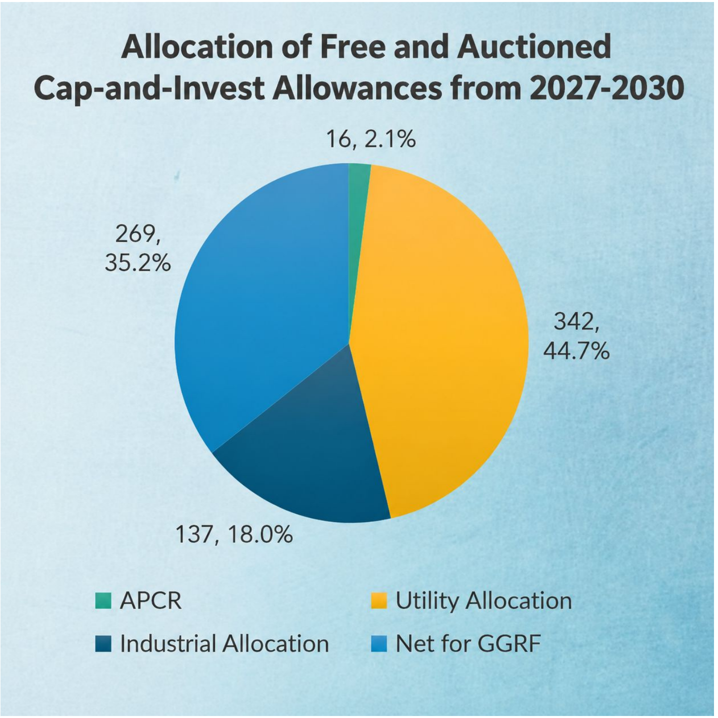


Cap-and-Invest Program Reauthorization

- Passage of AB 1207 & SB 840 in Sept. 2025 reauthorized the program through 2045
- The Cap-and-Invest program is designed to achieve two key goals:
    1) CAP: Reduce carbon pollution by capping greenhouse gas emissions.
    2) INVEST: Raise revenue from large polluters, which generates funding for the Greenhouse Gas Reduction Fund (GGRF).
- It's a market!

Cap-and-Invest Program Objective: Reduce Pollution

- Sets a firm and declining limit on GHG emissions for major emitters within California
- Facilities must comply with emissions reductions requirements by:
    - reducing emissions on-site
    - buying allowances
    - purchasing offsets
- Over ½ of allowances are allocated for “free” to qualifying industry and electric and gas utilities



Source: CARB Staff Presentation, 2026

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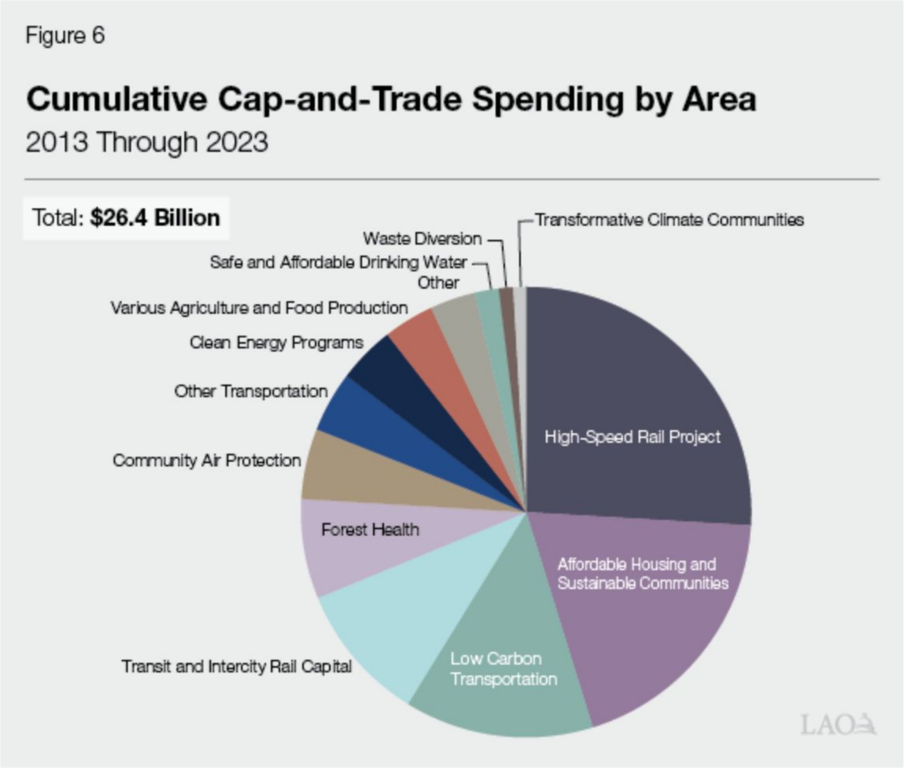
Cap-and-Invest Program Impact: Generate Revenue

- Allowance auction revenue goes to the Greenhouse Gas Reduction Fund:
    a. Over $33 B generated since 2013
    b. > 35% of funding must benefit priority populations
- Lower allowance prices lead to less investments in our communities



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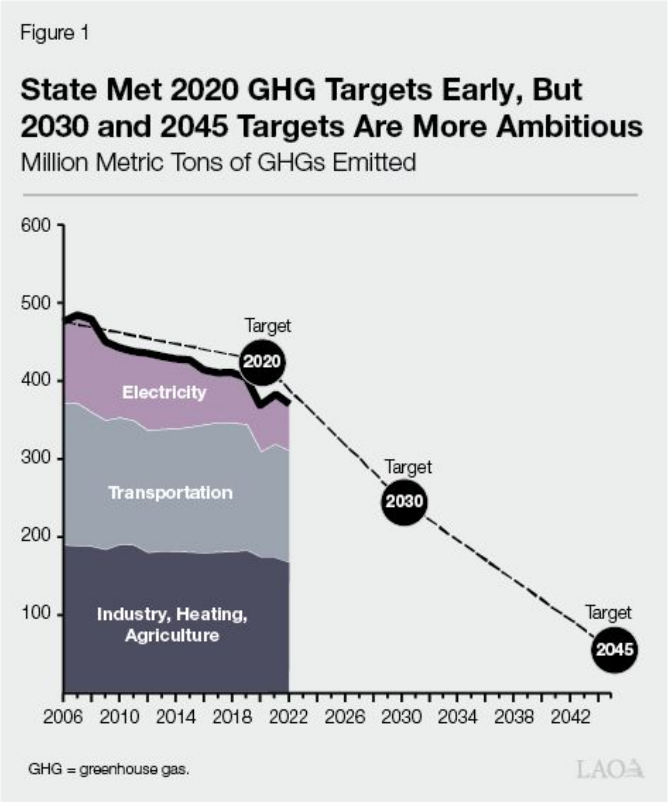

Cap-and-Invest is intended to serve as a backstop to achieve state GHG reduction goals

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Latest regulation puts state climate targets at risk

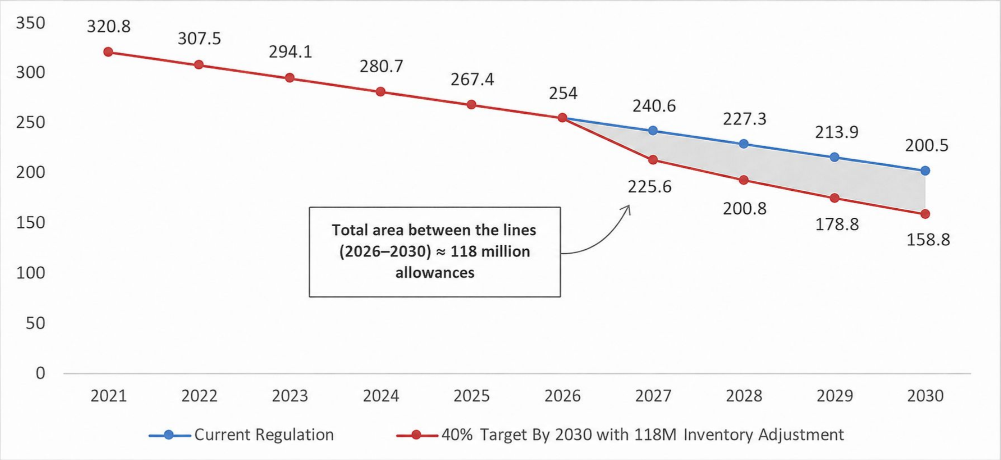

Figure 1: New Proposed CARB Allowance Budgets Through 2030, Source: CARB Presentation

- MDI reintroduces 118 million allowances back into the market **above the cap**, leading to more total allowable emissions under the program
- Emissions reductions possible from projects funded by the MDI ≠ equivalent emissions reductions under the cap
- Regulation defunds critical GGRF programs that abate pollution

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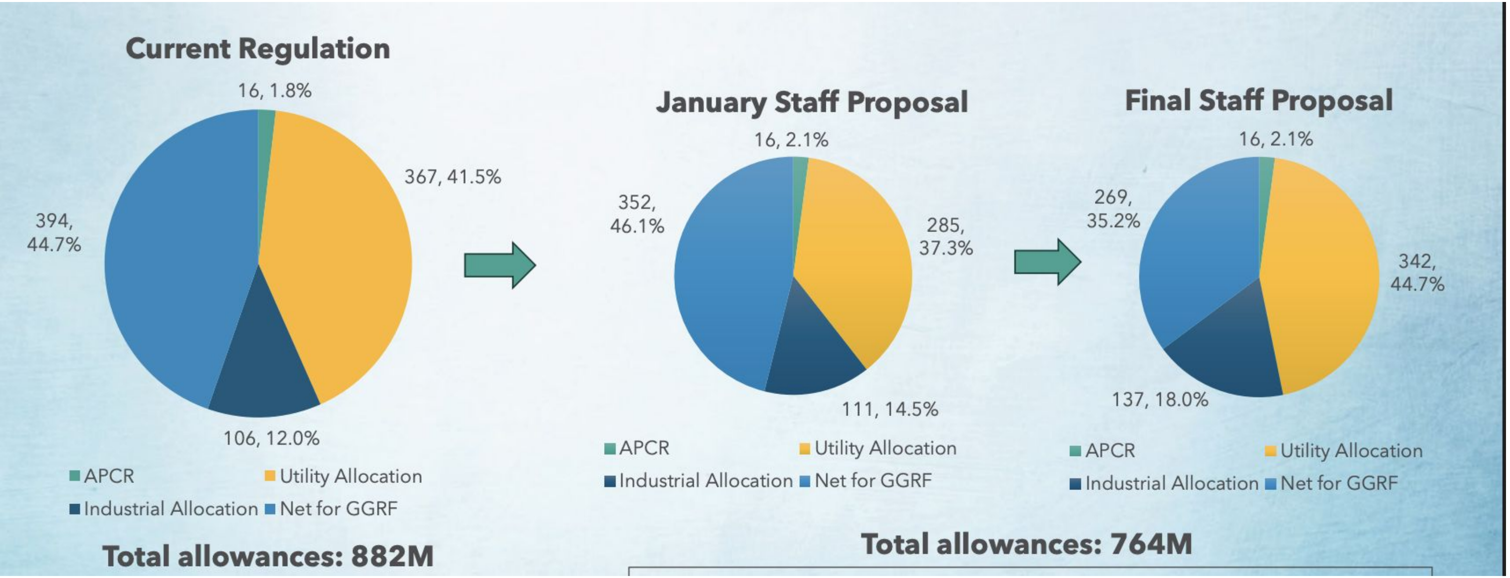
Program design + allowance allocation impact affordability benefits



\+ MDI (up to 118 million allowances through 2035)

Source: CARB Staff Presentation, 2026

Impacts to the program's affordability benefits

- Changes in allowance allocation
- Manufacturing Decarbonization Incentive
- Offsets under the cap
- California program linkage with Washington
- Shifting market confidence

GGRF is projected to lose ~$2 B per year

PROGRAM	POTENTIAL LOSS
Affordable Housing and Sustainable Communities (AHSC) Program	-$800 million/year
Transit and Intercity Rail Program (TIRCP)	-$400 million/year
Low-Carbon Transit Operations Program (LCTOP)	-$200 million/year
Safe and Affordable Drinking Water Fund (SAFER)	-$130 million/year
Community Air Protection Program created by AB 617	-$250 million/year

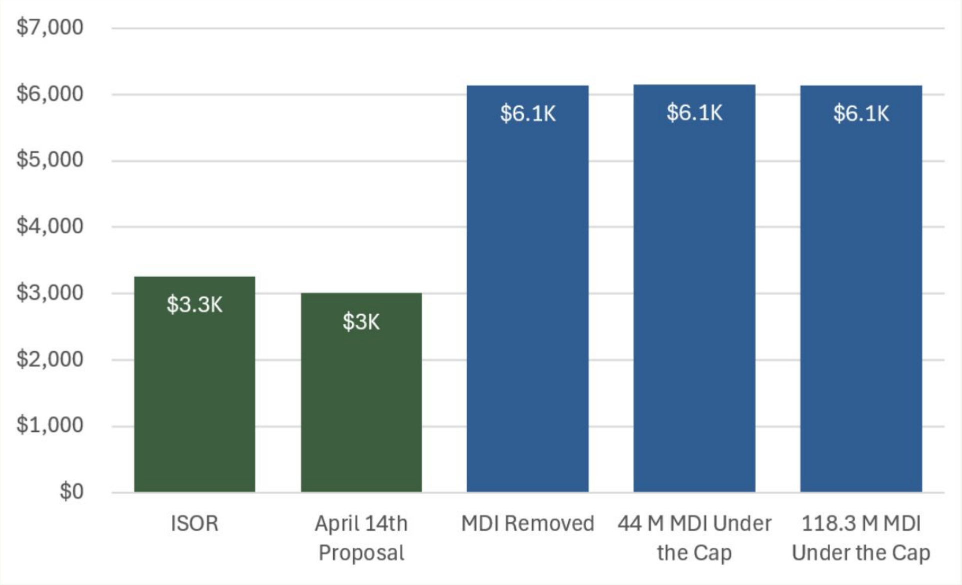
PROGRAM	FUNDS IMPLEMENTED (MILLIONS)	FUNDS BENEFITING PRIORITY POPULATIONS (MILLIONS)	ESTIMATED GHG EMISSIONS REDUCTIONS ($MTCO_2e$)	PROJECTS IMPLEMENTED
Affordable Housing and Sustainable Communities Program (AHSC)	$3,058.7M	$2,639.4M	5,223,831	177
The Transit and Intercity Rail Program (TIRCP)	$2,242.0M	$2,131.0M	30,677,142	329
The Low-Carbon Transit Operations Program (LCTOP)	$1,224.7M	$1,140.9M	7,432,759	1,120
Safe and Affordable Drinking Water Fund	$315.6M	$314.0M	-4,425	142
The Community Air Protection Program created by AB 617	$927.3M	$763.8M	293,640	13,846

Source: California Climate Investments

Further affordability impacts to Californians

- Less overall household savings
  - According to Greenline Insights, new allowances to fund the MDI could cut net cost savings for households earning $100,000 or less each year in half
- Lower Climate Credit
  - UC Santa Barbara's Environmental Markets Lab finds that both the GGRF and Climate Credit will be hard hit from the latest regulation

Figure 1. Cumulative Benefits to Households Earning $100,000 or Less Through 2045 ($M)



Source: Greenline Insights, 2026

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