JOINT LEGISLATIVE COMMITTEE ON

Climate Change Policies

SENATOR HENRY STERN, CHAIR

2024 JLCCCP Annual Oversight Hearing

How to Ensure California Climate Policies Deliver Jobs, Justice, and Affordability

This year's annual oversight hearing of the Joint Legislative Committee on Climate Change Policies[1] will focus on the same question that drives the Senate's *Commit to California* plan and two recent Senate oversight hearings: <u>Can a more jobs and justice-oriented approach to state climate policy, also drive affordability?</u>

This Committee believes the answer to this question is yes. But, achieving these goals will require renewed political and economic certainty that have made California's climate policies so durable over the years. The future of the state's cap-and-trade program post-2030 lies at the center of this debate.

Last month, the Senate recently held two oversight hearings on these issues.[2] These hearings honed in on two goals that should be considered in any efforts to extend cap-and-trade:

> (1) **increase program stringency** (e.g. the cap, offsets, free allowances, and trading rules) to eliminate the risk of environmentally unjust outcomes while ensuring affordability; and
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> (2) **refocus future climate investment** to reduce energy and fuel bills, accelerate reductions of air pollution in overburdened communities, and create high-road careers in clean energy, transportation, infrastructure and other emissions reduction projects.

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[1] The Joint Legislative Committee on Climate Change Policies (JLCCCP) was created in 2016 by AB 197 (E. Garcia). Cap-and-trade reauthorization was approved with expanded Legislative oversight and accountability. This permanent oversight was enshrined in JLCCCP, as it was established to ascertain facts and make recommendations to the Legislature concerning the state's programs, policies, and investments related to climate change.

[2] On February 13, the Senate Environmental Quality joined the Senate Budget and Fiscal Review Subcommittee No 2. on Resources, to examine more closely at why the state's current cap-and-trade program is not on track to drive environmental justice and affordability outcomes by 2030. Background Paper here. On February 26, the Senate Labor and Public Employment Committee joined the Senate Budget and Fiscal Review Subcommittee No. 5 on Labor and Transportation to look at how we can build on SB 150 (Durazo, Cortese, Gonzalez, Smallwood-Cuevas, 2023) with future investment from the Greenhouse Gas Reduction Fund, Inflation Reduction Act, and other funds, to drive the high-road job growth and community benefits that define the Senate's *Commit to California* plan.

Background

Until this point, cap-and-trade has been a backstop to the Scoping Plan to ensure the state meets its emissions targets.[3] Over the past decade, CARB has promulgated or updated approximately 30 other policies that drive emissions reductions and technology innovation.[4] Programs like the Low Carbon Fuel Standard, the Renewables Portfolio Standard, and Clean Cars Standard have been designed to drive the commercial deployment of innovative greenhouse gas reduction technologies at higher marginal costs of abatement than cap-and-trade.[5]

<u>As the Legislature looks to a post-2030 world, should cap-and-trade drive emissions or remain a backstop?</u> CARB's current efforts to amend the program by the end of 2024 will be crucial to answering this question.[6] The Independent Emissions Market Advisory Committee (IEMAC) weighed in with their 2023 Annual Report submission to CARB and this committee. The IEMAC's report dives into the issues around data collection and efficacy, affordability as part of the climate transition, linkage with other jurisdictions, and carbon capture.[7]

Meanwhile, California's carbon market remains resilient despite headwinds in other jurisdictions.[8] On February 14, CARB held the first quarterly allowance auction of 2024. All 51.2 million current vintage allowances offered for sale were purchased, resulting in the 14th consecutive sold-out auction, averaging $42 per ton with a total of $1.3 billion accruing to the Greenhouse Gas Reduction Fund.[9]

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[3] The cap-and-trade program applies to approximately 80 percent of the state's greenhouse gas emissions.

[4] For more information about the Department of Finance's Major Regulations SRIAs, visit: https://dof.ca.gov/forecasting/economics/major-regulations/major-regulations-table/.

[5] CARB commissioned a comparative dollar per ton abatement analysis that found a higher than 9 0% chance of achieving the 2030 greenhouse gas reduction target through a suite of policies that included cap-and-trade. *See* 2017 Scoping Plan, Appendix E, Economic Analysis, available at: https://ww2.arb.ca.gov/our-work/programs/ab-32-climate-change-scoping-plan/2017-scoping-plan-documents.

[6] These amendments were initiated by the passage of Assembly Bill 1279 (Muratsuchi, 2022) and the 2022 Scoping Plan for Achieving Carbon Neutrality. CARB has conducted a series of workshops to discuss potential amendments, pathways, modeling, and concepts. For more information, visit: https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/cap-and-trade-meetings-workshops.

[7] Many potential changes to the design of cap-and-trade stem from previous IEMAC annual reports. As the IEMAC members note, important context outside of the program, such as with the Low Carbon Fuel Standard, could affect the stringency of the carbon market. For more information about the 2023 IEMAC Annual Report, visit: https://calepa.ca.gov/independent-emissions-market-advisory-committee/.

[8] In Washington state, the fossil fuel industry is trying to cancel their cap-and-invest program via a November 2024 ballot initiative, effectively ending it before it gets off the ground. Virginia Gov. Youngkin is threatening efforts by Legislature to reengage their state in the Regional Greenhouse Gas Initiative. *See A*lex Brown, "The future of 'cap-and-trade' carbon markets could hinge on Washington state" (Dec. 21, 2023): https://washingtonstatestandard.com/2023/12/13/the-future-of-cap-and-trade-carbon-markets-could-hinge-on-washington-state/; Isabel Soisson, "What's inside the VA legislature's proposed budgets" (March 1, 2024), available at: https://vadogwood.com/2024/03/01/whats-inside-the-va-legislatures-proposed-budgets/.

[9] The February 2024 auction settled at a record price of $41.76, $17.72 above the $24.04 floor price and $3.03 above the November 2023 price. All of the 7.2 million future vintage allowances offered for sale were purchased — these

Cap-and-Trade Reform Goal #1: ***Strengthen the Program to Ensure Outcomes are Predictable, Affordable, and Just***

(a) The Cap

The Legislative Analyst's Office found the current cap-and-trade program is not stringent enough to drive the additional emissions reductions needed to meet the state's 2030 emissions reduction goal.[10]

In July 2023, CARB conducted a preliminary assessment of allowance budget scenarios under 40, 48, and 55 percent 2030 greenhouse gas reduction pathways.[11] CARB looked at the implications of those targets and this preliminary work established that 48 and 55 percent pathways were technically feasible. CARB later acknowledged that delayed deployment of large scale greenhouse gas reduction projects could put pressure on allowance prices.[12]

The introduction of additional price collars could ensure changes in the market still lead to greater climate ambition, while ensuring affordability. In the current market design, a certain number of allowances from the cap is set aside each year into an Allowance Price Containment Reserve (Reserve), as established in AB 398.[13] CARB releases additional allowances when the price gets too high through the Reserve.

The current oversupply in the market will also help reduce price pressure. Low auction prices in the early years of the program allowed businesses to stockpile allowances. There is currently a risk that this could result in windfall profits or backsliding if the carbon markets are not policed properly.[14] One way to prevent backsliding and ratchet program stringency is an emissions containment reserve to reduce the number of emissions allowances that are sold at low prices.[15]

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allowances can be used for compliance beginning in 2027. Future vintage allowances settled at $41.00, $16.96 above the $24.04 floor price and $3.60 above the November 2023 price. For more information, visit: https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/auction-information.

[10] Sarah Cornett, "California's Cap-and-Trade Program: Frequently Asked Questions" Legislative Analyst's Office (October 2023), available at: https://lao.ca.gov/Publications/Report/4811.

[11] *See* July 27, 2023 workshop, "California Public Workshop: Potential Amendments to the Cap-and-Trade Regulation," available at: https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/cap-and-trade-meetings-workshops.

[12] Ari Plachta, "California's ambitious 2030 climate target faces serious obstacles, regulator acknowledges" *Sacramento Bee* (August 1, 2023), available at: https://www.sacbee.com/news/politics-government/capitol-alert/article277730683.html.

[13] CARB will also offer a Reserve sale every year immediately preceding the compliance deadline. During 2021 - 2030, allowances in the Reserve will be offered at two tier prices (tier 1: $41.40 and tier 2: $53.20, as defined in the regulation). The number of allowances offered at each tier is determined by the Regulation. For more information, visit: https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/cost-containment-information.

[14] The existing allowance bank is about 300 million allowances, about equal to the 294 million allowances California plans to auction off this year.

[15] By reducing allowance supply when prices are low, an ECR could ensure lower demand and lower prices are translated into greater ambition while reducing price volatility. *See* 2022 IEMAC Report, p. 9.

(b) Offsets

Many low-cost offset projects have been criticized for delivering fewer emissions reductions than they promise.[16] The research raises questions about the validity and permanency of offset projects. The 2022 IEMAC report suggested that CARB consider an ex-post assessment of offset program performance to inform the potential retirement of allowances to account for any identified shortcomings.[17]

Covered entities may use compliance offset credits to meet up to 4 percent of their compliance obligation for emissions from 2021-2025; and 6 percent for emissions from 2026-2030.[18] This small percentage of a covered entity's overall compliance obligation has been a source of controversy, and requires the use of valuable staff time to focus on a small subsection of overall emissions.[19]

<u>Could offsets be eliminated, restricted, or subject to additional "high-road" requirements in a post-2030 cap-and-trade program?</u> Offsets could be limited to high-road emissions reductions projects, verified and claimed by entities complying with the state's landmark climate disclosure laws, SB 253 (Weiner, 2023) and SB 261 (Stern, 2023). Focusing on higher value projects like carbon removal (SB 596, Becker, 2021) or emissions reductions from natural and working lands (AB 1159, Aguiar-Curry, 2023) could also be a worthy upgrade to this piece of the program. These new policies could provide high-road offsets or other pathways to account for statewide emissions reductions post-2030.

Regardless, CARB should follow through on IEMAC's suggestion and evaluate, in its rulemaking, how much of a savings offsets currently provide, and what jobs and justice outcomes are generated from these projects.

(c) Linkage

Linking with other jurisdictions that have equally rigorous climate regulations to California has always been an attractive prospect to scaling our impact. However, the mechanics and governance surrounding linkage, and the preconditions thereto, pose risks to the costs and predictability of our program.

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[16] *See* Grayson Badgley, et al., "Systematic over-crediting in California's forest carbon offsets program" (November 12, 2021), available at: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9299598/.

[17] 2022 IEMAC Report, p. 11, available at: https://calepa.ca.gov/2022-iemac-annual-report/.

[18] For more information about the Quantitative Usage Limit and Direct Environmental Benefits within CARB's Compliance Offset Program, visit: https://ww2.arb.ca.gov/our-work/programs/compliance-offset-program/direct-environmental-benefits.

[19] For more information on CARB's Compliance Offset Program, visit: https://ww2.arb.ca.gov/our-work/programs/compliance-offset-program/about.

The 2023 IEMAC Report calls for CARB to "look for opportunities to expand its administrative and logistical support to jurisdictions developing or considering carbon limit policies, including but not limited to New York and Maryland; consider soliciting carbon limits and carbon pricing on a regional and national basis; and initiate its process for a linkage determination with [the state of] Washington."[20] However, less than a year into implementation, Washington is facing an industry funded ballot-initiative to repeal its program, and thereby imperiling the nascent efforts to evaluate new linkage opportunities.

(d) Air Pollution Co-Benefits

<u>How can we ensure the cap-and-trade program yields air pollution co-benefits in disadvantaged communities?</u>[21] Certain communities, particularly low-income and communities of color, still experience environmental and health inequities from air and other forms of pollution. As part of the 2017 reauthorization of the cap-and-trade program, AB 617 (C. Garcia, 2017) required community-focused action to reduce emissions of toxic air contaminants and criteria air pollutants in communities affected by a high cumulative exposure burden. The AB 617 program has neither been implemented with consistent funding nor provided new legal authority to address historical air pollution concerns, and thus yielded limited targeted emissions reductions.[22] Furthermore, AB 398 (E. Garcia, 2017) prohibited air districts from regulating for greenhouse gas emissions alone.

The Environmental Justice Advisory Committee (EJAC) has continued to propose so-called "no-trade zones" in impacted communities, which would restrict the use of allowances in disadvantaged communities to demonstrate compliance. This could institute a new regime of direct command-and-control regulations. EJAC has recommended requiring direct emissions reductions equivalent to the declining caps applicable to the overall program (e.g., 3% per year) and removing a proportional number of allowances from circulation. Alternatively, facility-level caps have been recommended by EJAC and discussed by IEMAC.[23] Such caps could apply to

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[20] 2023 IEMAC Report, p. 23, available at: https://calepa.ca.gov/independent-emissions-market-advisory-committee/.

[21] Disadvantaged community is defined in Health & Safety Code § 39711 ("areas disproportionately affected by environmental pollution and other hazards that can lead to negative public health effects, exposure, or environmental degradation…[and] areas with concentrations of people that are of low income, high unemployment, low levels of homeownership, high rent burden, sensitive populations, or low levels of educational attainment."); *see also* CARB FAQ on Cap-and-Trade, available at: https://ww2.arb.ca.gov/resources/documents/faq-cap-and-trade-program.

[22] AB 617 communities have developed Community Air Monitoring Plans and Community Emissions Reduction Plans. These Plans have useful data about community priorities and neighborhood toxic hotspots. Implementing rules to accelerate community priorities has been too slow. However, the LAO has noted AB 617 is amongst the most cost-effective programs for mobile-source emissions reductions, along with the FARMER and Carl Moyer programs.

[23] EJAC has also recommended a number of market-design recommendations. S*ee* Environmental Justice Advisory Committee, 2022 Scoping Plan Recommendations (Sept. 1, 2022), available at: https://ww2.arb.ca.gov/sites/default/files/2022-08/EJAC%20reccs%20Sept1%20version.pdf.

all covered facilities in a disadvantaged community, or could apply to a specific sector of facilities such as refineries.[24]

This Committee is particularly interested to continue researching the intersection of air district regulations on legacy facilities (i.e. refineries in South Coast Air Quality Management District) that are subject to increasingly stringent regulations in the State Implementation Plan (i.e. SCAQMD Rule 1109.1), to reexamine the implications of AB 398.[25] In the context of cap-and-trade, or through parallel funding and enforcement measures, the Legislature should ensure that the gaps in AB 617 are filled.

(e) Fossil Fuel Industry Subsidies

The state provides different forms of subsidies to fossil fuel-fired facilities. The Governor's 2024-2025 budget proposes eliminating three special tax rules for fossil fuel producers. As the LAO recommends in the proposal, "[e]liminating the rules would move the state to a tax system with more consistent treatment across businesses."[26]

However, the cap-and-trade program is also bound by fossil fuel subsidies in the form of free allowance allocations to all industrial facilities blind to sectoral differences in energy intensity, trade exposure, leakage risk, or the ability to innovate. CARB's expert work analyzing California's opportunities to reduce fossil fuel use in the industrial sector has essentially been shelved pursuant to a now stale deal made during the last cap-and-trade reauthorization.[27]

Now, regardless of their true level of leakage risk, CARB is required to provide free allowances annually to all fossil-fuel fired industrial sources. As part of the current rulemaking, CARB has commissioned two studies (to be completed in 2025) accessing emissions leakage in the electricity and industrial sectors to assess measures that could reduce leakage.

To ensure environmental justice considerations and industrial job creation opportunities are not overlooked again, the Legislature should reconsider the current statutory allocation scheme in any efforts to extend the program again.

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[24] Dallas Burtraw and Nicholas Roy, "How Would Facility-Specific Emissions Caps Affect the California Carbon Market?" Resources for the Future, (July 17, 2023), available at: https://www.rff.org/publications/reports/how-would-facility-specific-emissions-caps-affect-the-california-carbon-market.

[25] For more information on South Coast AQMD's Rule 1109.1, visit: https://www.aqmd.gov/home/rules-compliance/compliance/1109-1.

[26] Brian Uhler et al, "Evaluating Tax Policy Changes in the Governor's Budget," Legislative Analyst's Office, (February 22, 2024), available at: https://lao.ca.gov/LAOEconTax/Article/Detail/797.

[27] For more information on CARB's industrial allocations, visit: https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/allowance-allocation/allowance-allocation-industrial.

Cap-and-Trade Reform Goal #2*: Ensuring Future Climate Investments Cut Bills, Reduce Air Pollution, and Create Jobs*

(a) Greenhouse Gas Reduction Fund

The Greenhouse Gas Reduction Fund (GGRF) is the depository for revenues generated from the sale of allowances. In recent years, auctions have raised between $3 billion and $4.3 billion per year, totaling $26.4 billion between 2013 and 2023 that California refers to as its California Climate Investments.[28] Roughly 65% of annual GGRF revenues is currently dedicated to statutorily required continuous appropriations. After accounting for these statutory spending commitments, the remainder of GGRF revenues are available for the state to spend at its discretion (pursuant to other statutory requirements).

Last April, the state announced that the California Climate Investments programs have

- reduced energy bills by $14 billion
- funded the planting of more than 20 million trees
- funded 10,300 green and affordable homes
- implemented 1,060 transit services projects
- helped get 427,500 zero-emission or plug-in hybrid vehicles on the road with rebates
- created or supported 21,300+ full-time jobs[29]

As the California Climate Investments program reaches 10 years old, academic groups and stakeholders have investigated better ways to improve equity outcomes.[30] Ideas such as enhancing the Climate Credit, providing ongoing technical assistance and support from the state to help build capacity for communities to access public climate dollars, increasing the percentage of auction revenue that is deployed to priority populations, and speeding up fund deployment are common themes.[31]

Many groups have lauded the benefits of incorporating community voices through programs such as Transformative Climate Communities, and would like to see GGRF or other state expenditures fund community-driven solutions. Other groups have highlighted how current state

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[28] For more information about California Climate Investments, visit: https://www.caclimateinvestments.ca.gov/.

[29] California Climate Investments 2023 Annual Report, available at: https://www.caclimateinvestments.ca.gov/annual-report#block-yui_3_17_2_1_1694124966544_392413.

[30] Manuel Pastor, et al. "Up in the Air: Revisiting Equity Dimensions of California's Cap-and-Trade System" USC Dornsife Equity Research Institute (February 2022), available at: https://dornsife.usc.edu/eri/publications/up-in-the-air-revisiting-equity-dimensions-of-californias-cap-and-trade-system.

[31] Lolly Lim and Vanessa Carter Fahnestock, "A Call to Invest in Community Power: Lessons from 10 Years of California Climate Investments for the State and the Nation," Greenlining Institute (Feb. 15, 2024), available at: https://greenlining.org/2024/a-call-to-invest-in-community-power-lessons-from-10-years-of-california-climate-investments-for-the-state-and-the-nation/.

policy priorities around clean electricity generation, renewable hydrogen, direct air capture, and vegetation management are not reflected in the statutorily allocated budget.[32]

(b) Pre-2030 Investment Scenarios

According to research commissioned by CARB from UC Davis,[33] an extension of the cap-and-trade program to 2045 would not only increase auction revenues post 2030, it would increase pre-2030 revenues as well. Moreover, 60% of all revenues are continuously appropriated based on a 2015 budget deal. If 100% of all new revenues were not subject to this framework, based on *hypothetical* future carbon prices projected in the recent Bushnell report in a scenario where CARB moves forward with a 48% 2030 target on a glidepath to 2045, California could see about $12 billion in new annual revenue from 2026-2030:

Year	CCA Price	Annual Revenue
2026	$48/ton	$12.1 B
2028	$54/ton	$12.2 B
2030	$60/ton	$12.0 B

Taking a fresh look at these possibilities through a jobs, justice and affordability lens, the Legislature could refocus CARB's allowance allocation formula to give fewer allowances away for free and rethink the GGRF investment strategy without respect to the 2015 budget deal. Two potential focal points worthy of further analysis are cutting energy bills, and creating high-road jobs with investments in disadvantaged communities:

(i) Cutting Energy Bills

As ratepayers are asked to fund wildfire risk mitigation,[34] clean energy, and load growth associated with ZEVs and building decarbonization, rate relief is a top priority of both houses of the Legislature.[35] The California Climate Credit, applied twice per year, is derived from

[32] Sam Uden and Amanda DeMarco, "Analyzing California's Greenhouse Gas Reduction Fund" CSG (December 15, 2023), available at: https://www.csgcalifornia.com/blog/analyzing-californias-greenhouse-gas-reduction-fund/.

[33] James Bushnell, et al., "Allowance Supply and Demand in California's Cap-and-Trade Market: Initial Results." UC Davis (presentation to November 16, 2023 CARB Workshop).

[34] Meredith Fowlie, et al. "Fighting Fires in the Power Sector" *Energy Institute at Hass* (Feb *2024),* available at: https://energyathaas.wordpress.com/2024/02/20/fighting-fires-in-the-power-sector/.

[35] *See* Assembly Committee on Utilities and Energy February 2024 Hearings, available at: https://autl.assembly.ca.gov/hearings/2023-24-informationaloversight-hearings; Senate Energy, Utilities, and Communications Committee February 2024 Hearing, available at: https://seuc.senate.ca.gov/content/2023-2024-oversightinformational-hearings.

allowances auctioned to investor-owned utilities.[36] Under the scenarios above, the average household energy bill could see the following reductions before 2030 if *half* of all new revenues above the current GGRF revenue were set aside for the Climate Credit[37]:

Year	**Total Climate Credit Investment**	**Avg. Annual Bill Cut per Household**
2026	$4.95 B	$359
2028	$4.8 B	$348
2030	$4.5 B	$326

The GGRF could also be used to underwrite clean energy projects from non-ratepayer sources, thereby obviating the need for more fossil gas powerplants in disadvantaged communities, displaced by zero-carbon baseload resources, clean energy storage, and grid reliability resources like virtual power plants.[38]

To further evaluate the efficacy of these scenarios and empower the Legislature with more concrete data about its options, the Committee recommends the LAO and IEMAC examine potential energy bill relief scenarios through expanded GGRF revenue.

(ii) Committing to California

The Senate is focused on supporting in-state job retention and high-road career creation through strategic climate investments. Gov. Newsom recently announced the state has received $15.5 billion from the federal government for climate investments.[39] The state must continue creatively leveraging Inflation Reduction Act opportunities, such as pairing investment and production tax credit opportunities with GGRF monies to accelerate the growth of zero-emission vehicle manufacturing and charging infrastructure.[40]

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[36] Californians are receiving $2.7 billion in April 2024 alone, with qualifying ratepayers receiving an average of $146 credit against their gas and electric bills. For more information on the California Climate Credit, visit: https://www.cpuc.ca.gov/climatecredit/.

[37] Estimates generated from California Public Utilities Commission and California Energy Commission data of the number of residential customer accounts.

[38] California Public Utilities Commission, "CPUC Electrification Impacts Study Part 1: Bottom-Up Load Forecasting and System-Level Electrification Impacts Cost Estimates" (May 2023), available at: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M508/K423/508423247.PDF.

[39] Governor Newsom Press Office, "Governor Newsom Highlights Massive $15.5+ Billion in Climate Investments from Biden Administration" (February 2, 2024), available at: https://www.gov.ca.gov/2024/02/02/this-is-a-bfd-governor-newsom-highlights-massive-15-5-billion-in-climate-investments-from-biden-administration/.

[40] *See generally,* Joint Legislative Committee on Climate Change Policies August 29, 2023 hearing, "Maximizing and Implementing the Inflation Reduction Act: California's $180 Billion Dollar Climate Funding Challenge," available at https://climatechangepolicies.legislature.ca.gov/previous-hearings.

Upcoming funding opportunities like the $5 billion Climate Pollution Reduction Grant[41] the $3 billion Clean Ports Program,[42] or the $3.5 billion Direct Air Capture Hubs can grow careers and transform communities can be supercharged with the addition of high-road state incentives to ensure labor and community uplift accompanies new investments.[43]

Based on past jobs performance of similar infrastructure investment with SB 150-type criteria,[44] if *half* of all new revenues above the current GGRF revenue were dedicated to supercharging private and federal dollars for advanced manufacturing and infrastructure, in line with the Commit to California plan, California could see the following in high-road job creation:

Year	**Total GGRF Investment**	**Est. Number of High-Road Jobs Created**
2026	$2.25 B	10,500
2028	$2.2 B	10,300
2030	$2.0 B	9,800

To further assess the job creation potential of new GGRF revenues, the Committee recommends the California Workforce Development Board, in collaboration with CalEPA, include jobs and equity projections in its forthcoming SB 150 report, with the goal of examining the potential impact of new GGRF revenues directed towards accelerating high-road projects like transportation infrastructure and community resilience, including projects that align with President Biden's Justice40 initiative.[45]

Similarly, the Committee recommends EJAC and CARB continue to coordinate on program implementation that increases benefits and reduces burdens for priority communities.

[41] For more information about the EPA Climate Pollution Reduction Grant program, visit: https://www.epa.gov/inflation-reduction-act/climate-pollution-reduction-grants.

[42] For more information about the EPA Clean Ports Program, visit: https://www.epa.gov/newsreleases/biden-harris-administration-invests-3b-clean-ports-part-president-bidens-investing

[43] For more information about the DOE Regional Direct Air Capture Hubs, visit: https://www.energy.gov/oced/DACHubs.

[44] The job creation numbers cited here assume similar employment impacts to other sectors currently operating with high-road standards pursuant to the Bipartisan Infrastructure Law and the Inflation Reduction Act. For more information about California job creation from federal investments, visit: www.gov.ca.gov/2022/11/15/california-creates-17000-infrastructure-jobs-with-support-from-the-biden-administration/.

[45] For more information about the White House Justice40 Initiative: visit: https://www.whitehouse.gov/environmentaljustice/justice40/.

Conclusion

While the cap-and-trade program has flaws, and reforms are needed, the urgency of the jobs- and justice-challenges facing California requires the Legislature to engage in the debate over the program's extension through 2045. Delivering climate solutions at scale that actually reduce household energy-related expenses has never been more critical. From backstop to workhorse, this program has the potential to deliver tangible outcomes at low cost. It also has the potential to be a source of unjust emissions increases in disadvantaged communities, bill increases, and unintended consequences. The stakes are high.

The Committee will remain focused on gathering stakeholder feedback on the two reform goals outlined herein, and looks forward to working with the relevant committees in both houses to oversee CARB's work in this arena as we endeavor to deliver on jobs, justice and affordability in the critical year ahead.