



**CALIFORNIA**  
AIR RESOURCES BOARD

**Joint Legislative Committee on Climate  
Change Policies Hearing on Cap-and-Invest  
Program Amendments**

February 23, 2026

# Introduction

- CARB released draft updates to the Cap-and-Invest Program on January
- Updates follow new laws extending the program through 2045 (AB 1207 and SB 840)
- Goal: Meet 2030 & 2045 climate targets while supporting affordability, cost-effectiveness and market certainty

# What is Cap-and-Invest?

- Formerly known as Cap-and-Trade
- Polluters pay while emissions decline
- Covers largest polluters (factories, energy, oil & gas) = 80% of CA emissions, 4-6 times less costly than prescriptive regulations like a carbon tax
- +12 years of successful implementation, nearly 100% compliance

# Proven Success

- Helped California meet 2020 climate target 6 years early
- Generated \$34B for climate investments:
  - 500,000+ projects
  - 30,000 jobs
  - Millions of tons of carbon cut
- Delivered \$15B in bill credits to customers

# Why These Updates Matter

- Support affordability & cost-effectiveness
- Send clear price signal for clean energy investment
- Provide certainty for businesses & carbon market
- Protect against market manipulation

# Major Updates

- Long-term allowance budgets beyond 2030
- Remove allowances where offsets used
- Transfer free allowances from gas to electric utilities
- Extend protections for ratepayers
- Strengthen market safeguards
- Add post-2030 allowances to price containment reserve
- Maintain free allowances for industry to protect jobs and avoid extra gasoline cost passthrough

# Cap-and-Invest Program Benefits Outweigh Costs

## Costs

- \$124 billion over 20 years
- Negligible relative to California's current annual \$4 trillion economy
- \$20 billion less costly than the April 2024 scenarios

## Benefits

- \$180 billion in total statewide benefits including \$123 billion in avoided health costs
- Up to \$485 billion in global savings due to avoided climate damages
- \$56 billion to benefit utility ratepayers
- \$37 billion for climate investments

# Next Steps

- Public Comment: Jan 23 - Mar 9, 2026
- Board Hearing: Q2 2026
- Expected Effective Date: Sept 1, 2026

# Additional Legislative Requirements

- AB 1207
  - Present to relevant legislative subcommittees
  - Report annually on electric utilities' use of allocated allowance value
  - Consider developing new offset protocols, including carbon dioxide removal
- SB 840
  - Conduct a study of the Compliance Offsets Program by December 2026
  - Update all offset protocols by January 2029

**Thank you!**