

CUTTING POLLUTION AND CUTTING COSTS IN CALIFORNIA

CAP-AND-INVEST CAN MAXIMIZE POLLUTION CUTS AND PROVIDE AFFORDABILITY BENEFITS

As the California Air Resources Board (CARB) crafts new regulations for the Cap-and-Invest program, [new modeling](#) shows how the state can reduce emissions faster while protecting household affordability.

Setting the cap to meet the moment

The impact of Cap-and-Invest comes down to its titular components: the **cap** on emissions, and the **investments** it generates that flow to communities. The cap sets a maximum limit on climate pollution, which declines annually and is enforced through a limited number of emissions ‘allowances.’ Facilities covered by the program are required to turn in one allowance for every ton of pollution they emit.

CARB has proposed a plan to reduce the number of allowances in the program. However, new modeling shows that California can afford to remove more allowances and cut

emissions faster — which is crucial for averting the worst impacts of climate change — while still providing affordability benefits through Cap-and-Invest revenue. CARB should seize this opportunity to increase its climate ambition while still delivering affordability benefits.



Solar array in the Mojave desert.

PHOTO CREDIT: GETTY IMAGES



“Cap-and-Invest has room for more climate ambition while still ensuring the program continues to cut costs for working families.”

—
Katie Schneer,
Manager, Clean Electricity
& Carbon Markets, EDF

New modeling shows room for more ambition

Updated modeling by Greenline Insights shows CARB could set a tighter emissions cap than currently proposed while still delivering meaningful cost savings for low- and moderate-income households.

Two higher-ambition scenarios were analyzed, modeling removal of approximately 154-180 million allowances from the program's 2027-2030 allowance budgets, compared to the 118 million reduction CARB proposed. Both scenarios show that a stronger cap accelerates emissions reductions and delivers net savings on average for California households making \$100,000 or less per year — over half of California families.

In the most ambitious scenario (removing approximately 180 million allowances through 2030), a tighter near-term emissions cap is projected to deliver significant cost savings for California families through 2045:

- **Over \$860 million in net savings** to families earning \$100,000 or less (over half of California households).
- **\$2.8 billion in net savings** to families earning \$70,000 or less. Lower-income families receive the biggest affordability gains under a more ambitious emissions cap.

A more ambitious Cap-and-Invest will deliver

\$2.8 BILLION IN NET SAVINGS

for families earning \$70,000 or less

Supercharging the Greenhouse Gas Reduction Fund

A tighter emissions cap would also meaningfully boost proceeds for the Greenhouse Gas Reduction Fund (GGRF). Modeling indicates that the most ambitious scenario could generate more than \$1 billion in additional revenue compared with the current proposal from CARB. These funds are vital for supporting investments in clean energy infrastructure, zero-emission vehicles, and electrification of our homes and businesses.

Projected increases to GGRF revenue through 2045,



These modeled scenarios show that a stronger Cap-and-Invest program can achieve deeper, cost-effective emissions cuts while reducing costs for millions of California families. Recent auction results — including the February 18 auction clearing at the minimum price for the second time in under a year — indicate that the market has capacity for tighter allowance budgets. CARB should capitalize on this opportunity to deliver for Californians and for the climate.

For more information, please contact Katie Schmeer, Manager, Clean Electricity & Carbon Markets, kschmeer@edf.org