

CAP-AND-TRADE REPORT FROM LEGISLATIVE ANALYST'S OFFICE INFLATES COSTS

The Legislative Analyst's Office makes unrealistic and incomplete assumptions about future program prices and omits existing affordability programs, notably the California Climate Credit

Q: Would extending California's cap-and-trade program cost households \$700 a year in higher gas prices?

A: No — that's a *significant* misrepresentation of the Legislative Analyst's Office (LAO) memo. The \$700 number is **not a forecast** and using it to suggest likely costs is deeply misleading. It is based on a hypothetical scenario where cap-and-trade allowance prices **jump to the maximum legal level — the price ceiling — and stay there indefinitely, which has never happened in the program's 13-year history.**

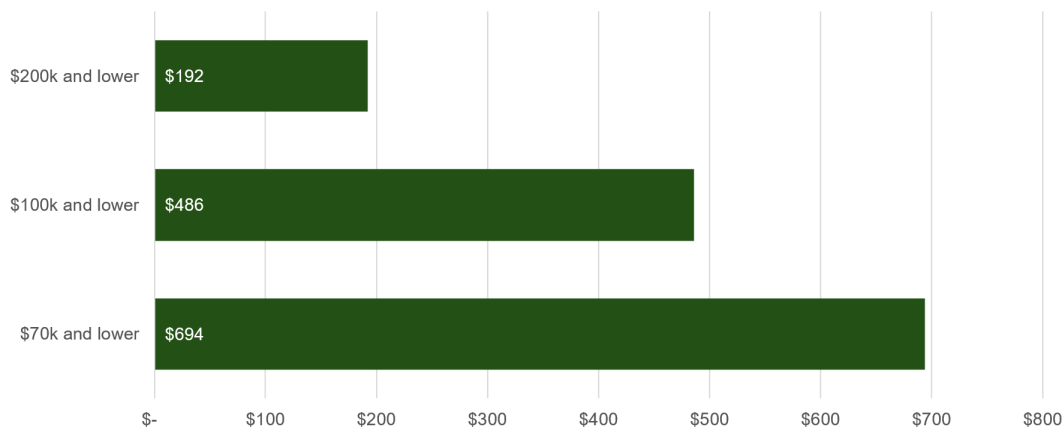
The \$700 figure is based on California's current allowance price ceiling, which is over **three times higher than current market prices** (at the most recent allowance auction, in February 2025, allowances cost \$29.27 each, however, the current price ceiling is \$94.92). There is no way to know if we would ever reach the price ceiling, much less how long we would remain there.

Q: But even if gas prices rise, wouldn't households feel the hit?

A: That's where the LAO report leaves out a critical piece: the **California Climate Credit**. This is a rebate mechanism that returns cap-and-trade revenues to households through utility bills — and **when allowance prices rise, so do the credits**. That's a core feature of the program, designed specifically to protect consumers, and LAO has previously suggested this credit has been effective at protecting households by mitigating impacts from high electricity and natural gas prices.

[A new analysis](#) released by EDF and Greenline Insights is more realistic and finds a more positive result for households. It is grounded in *net* benefits, which are a more useful metric to assess cap-and-trade because they **consider what will actually happen to households rather than carve out a small piece of a much bigger story**. The analysis models the real net household impact of cap-and-trade after 2030. The vast majority of California households benefit from the program, and lower-income households benefit the most.

Here are the net benefits of cap-and-trade per household, by annual income level¹:



¹ Source: Environmental Defense Fund and Greenline Insights, "Investments for California's Future: Job and Economic Benefits of Cap and Trade Revenue Beyond 2030." (May 2025).