

Information Regarding Cap-and-Invest Regulation Update

Issued September 19, 2025

The California Air Resources Board (CARB) is issuing this notice to inform market participants and the public of the timing and topics for amendments to the Cap-and-Invest Regulation. On September 19, 2025, Governor Newsom signed Senate Bill 840 (Limón, statutes of 2025) and Assembly Bill 1207 (AB 1207, Irwin statutes of 2025) into law. AB 1207 extends the program previously known as the cap-and-trade program through 2045, providing investment and market certainty for clean energy and technology, uplifting affordability for Californians, with additional direction to CARB.

Now that the new legislation is law, CARB will begin working on updating the regulation to reflect direction and process in AB 1207. This work will build on the public process that CARB already started on a regulation update going back to early 2023. The previous public process materials are available at the [Cap-and-Trade Meetings and Workshops](#) webpage. The formal rulemaking process will follow the Administrative Procedure Act with formal comment periods. The scope of the expected update topics includes, but is not limited to:

- A workshop on the draft AB 398 leakage risk assessment report due in the coming months. This work will inform industrial allowance allocation changes such as cap adjustment factors as needed, to minimize the risk of leakage to protect California businesses and jobs, and to reflect updated data.
- Updates to annual allowance budgets to reflect inventory adjustments and retirements to implement offsets used for compliance beginning with those used to comply with 2026 emissions, and to support achievement of the state's 2030 and 2045 climate targets while considering affordability.
- A path to transition gas utility allowances to electricity utilities while considering affordability for gas customers as reflected through residential bill climate credits.
- Updates to electricity distribution utility allocations to reflect updated data.
- Updates to triggers for a corporate association group among registered entities to deter and reduce opportunities for market manipulation.
- Updates to reflect the Extended Day Ahead Market being developed by CAISO.
- Additional changes as needed to support continued linkage with Quebec.

Separately, CARB will identify a public process, contracts for research, and a timeline for evaluating existing compliance offset protocols to reflect the best available science by 2029 and a report to the Legislature consistent with SB 840 on the use of offsets and recommendations to increase in-state offset projects. These reports will be funded by appropriations for the next budget year.