



April 10, 2025

Senate Pro Tem Mike McGuire  
1021 O Street, Suite 8518  
Sacramento, CA 95814

Assembly Speaker Robert Rivas  
1021 O Street, Suite 8330  
Sacramento, CA 95814

Senator Catherine Blakespear  
Chair, Senate Environmental Quality Committee  
1021 O Street, Suite 7720  
Sacramento, CA 95814

Senator Monique Limón  
Chair, Senate Climate Working Group  
1021 I Street, Suite 7610  
Sacramento, CA 95814

Assemblymember Isaac Bryan  
Chair, Assembly Natural Resources Committee  
1021 O Street, Suite 5630  
Sacramento, CA 95814

Assemblymember Jacqui Irwin  
Chair, Assembly Cap & Trade Working Group  
1021 O Street, Suite 6220  
Sacramento, CA 95814

**Re: Eliminate Free Allowances to Oil & Gas Industry in the Cap-And-Trade Program**

Dear Pro Tem McGuire, Speaker Rivas, Senator Blakespear, Senator Limón, Assemblymember Bryan and Assemblymember Irwin:

The undersigned organizations represent a broad coalition of stakeholders to the cap-and-trade program. We are writing to request that the Legislature reject calls for a “clean extension” to the program and make reforms that will address affordability for Californians.

While each of our organizations has other priorities for market reforms or Greenhouse Gas Reduction Fund expenditures, we all agree on one fundamental thing: the Legislature must reduce or even eliminate the free allowances given to the oil and gas industry, and give those allowances back to the Greenhouse Gas Reduction Fund and/or the California Climate Credit.

California has ambitious climate pollution reduction goals, which science tells us are necessary to avoid the worst impacts of climate change. Our state’s climate ambition is important now more than ever. But, even under a “clean extension” scenario, costs of the overall cap-and-trade program will increase post-2030, simply as a result of the ambition necessary to meet these essential climate goals. Changing *how* the allowances are distributed within the system will not impact the overall cost of the system - it will only shift *who pays*.

In AB 398 (E. Garcia, 2017), the “industry assistance factor” was set at 100% for all industries - regardless of leakage risk. The biggest beneficiary of that policy change was the oil and gas industry, which received approximately \$300 million in free allowances that the industry would have otherwise had to purchase at auction<sup>1</sup> - directly robbing the Greenhouse Gas Reduction Fund of critical revenue that was needed to address priorities in our communities. **In 2024 alone, the allowances given freely to the oil and gas industry are estimated to be valued at over \$890 million.**<sup>2</sup>

Giving away hundreds of millions of dollars of free allowances to the oil and gas industry will not benefit consumers. Consumers did not see relief from the 2017 free allowance giveaway to industry - but the oil industry did see record profits. Rather than subsidizing the oil industry, we believe that supporting California households through equitable investments in the Greenhouse Gas Reduction Fund and the California Climate Credit — especially in ways that benefit lower income households — is the solution to our current affordability crisis, and implore the Legislature to intervene on this issue.

Reducing or eliminating free allowances to the oil and gas industry is one of the most critical issues that must be resolved in Cap-and-Trade negotiations, but it is not the only issue that the legislature should consider addressing in order to make the program more effective and protect communities. Thank you for your time and consideration of our request. If you have any questions, please do not hesitate to contact Katie Valenzuela ([katie@everydayimpactconsulting.com](mailto:katie@everydayimpactconsulting.com)).

Sincerely:

Abraham Mendoza III, Policy Manager  
Community Water Center

Addison Peterson, Senior Policy Manager  
California Certified Organic Farmers (CCOF)

Arnold Sowell Jr., Executive Director  
NextGen California

Asha Sharma, State Policy Manager  
Leadership Counsel for Justice and Accountability

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<sup>1</sup> <https://calmatters.org/environment/2017/08/california-climate-deal-net-big-bucks-polluters/>

<sup>2</sup> Based on CARB’s [vintage 2024 allowance allocation summary](#), the oil and gas industry received 25,284,110 allowances. The non-weighted average of the [2024 auction settlement prices](#) was \$35.23.

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California Nurses for Environmental Health & Justice

Bill Magavern, Policy Director  
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Dan Ress, Staff Attorney  
Center on Race, Poverty & the Environment

Daniel Barad, Western States Policy Manager  
Union of Concerned Scientists

Ellie Cohen, Chief Operating Officer  
The Climate Center

Faraz Rizvi, Policy and Campaign Manager  
Asian Pacific Environmental Network (APEN)

Jamie Fanous, Policy & Organizing Director  
Community Alliance with Family Farmer (CAFF)

Jennifer Clary, California Director  
Clean Water Action

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Torri Estrada, Executive Director and Director of Policy  
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Victoria Rome, California Government Affairs Director  
Natural Resources Defense Council (NRDC)

Will Barrett, Senior Director, Nationwide Clean Air Advocacy  
American Lung Association

Cc: Members, Senate Climate and Assembly Cap-and-Trade Working Group