

November 12, 2025



Rajinder Sahota
Deputy Executive Officer for Climate Change and Research
California Air Resources Board
1001 I Street
Sacramento, CA 95814-2815

Dear Ms. Sahota

Thank you for the opportunity to provide comments on proposals discussed at the October 29, 2025, workshop on program updates to the Cap and Invest program and implementation of AB 1207 (Irwin, Chapter 117, Statutes of 2025) and SB 840 (Limón, chapter 121, Statutes of 2025). As a steel company with multiple facilities located in California, CMC would like to provide feedback on the leakage provisions that were discussed at the workshop.

Background on CMC

CMC's history began in 1915 with a single family-owned scrap metal recycling business. Since then, we have continued to grow and expand our economic contributions to the United States, and particularly in the state of California. We have nine facilities in the state, including rebar fabrication facilities and detailing offices, a recycling facility, and a rebar stocking warehouse to serve our customers and operations in the western United States.

CMC employs more than 900 Californians in high-paying manufacturing jobs, and our economic impact on the state of California is far-reaching. Including employee compensation, purchases from state-based contractors, vendors and suppliers, and state taxes, CMC contributes more than \$350 million dollars annually to the economy of the state of California.

In addition to our economic impact, CMC believes we have the responsibility to make our communities where we live and work stronger, healthier, and more vibrant. We contribute in-kind and financially to numerous local community organizations and to larger national partnerships as well. Our scrap-based, electric arc furnace steelmaking is the most energy-efficient and most sustainable way of producing steel that is used by industries across the country and throughout the world. By using 100% recycled scrap steel as the primary raw material in our steelmaking process, we are giving this metal new life and purpose as it is used to build our nation's roads, bridges, infrastructure, and buildings.

Leakage

At the October workshop, staff from the California Air Resources Board (ARB) explained how AB 1207 mandates ARB to reassess methods for reducing industrial emissions leakage, particularly in distributing industrial sector allowances to minimize leakage risks. ARB also pointed out that it has additional flexibility in designing an industrial allowance allocation methodology that cost-effectively minimizes emissions leakage risk. The risk of leakage for the steel industry is a genuine concern. In our opinion, a solution to the problem of leakage requires a multifaceted approach, and it's not as simple as creating a new program.

Potential Solutions for Leakage

ARB staff outlined several possible courses of action as ways to address the problem of leakage. We have provided feedback below on the potential solution of a Cross Border Adjustment Mechanism.

1. Cross Border Adjustment Mechanism

ARB staff proposed the creation of a Cross Border Adjustment Mechanism (CBAM) as a potential solution to mitigate leakage and reduce non-California EITE emissions. While a CBAM may be a preferred option for certain sectors, it would not be beneficial for the steel industry. This is because steel companies like CMC and others have California facilities that are part of a network of steel facilities across the United States that supply steel products to California. Implementing a new fee at the California border would increase Californians cost on all steel products used in the state, including structural steel components such as beams, angles, channels, and plates used for framing buildings and bridges, steel framing studs, roofing, metal lath for both residential and commercial buildings, reinforcing steel (rebar) used to strengthen concrete structures, and steel used for water, gas, and oil pipelines.

A CBAM is a tax, or tariff, that imposes higher costs on products used in California, resulting in increased prices for consumers. It can also restrict supply. However, it does not address the issue of leakage. Instead, it creates additional problems and can have unforeseen impacts on the industry. Calculating embedded emissions across global supply chains for a CBAM is a highly technical, resource-intensive, and error-prone process. This adds layers of complexity for both importers and regulators alike to remain compliant.

Furthermore, many of the steel products used in California are sourced from companies with vertically integrated supply chains located across the U.S. As mentioned earlier, CMC has nine facilities in California. Additionally, we have two mills in Arizona that serve the California market, and mills in Texas, Oklahoma, Arkansas, Alabama, Tennessee, South Carolina, and Florida. All of CMC's products finished in our California facilities received their steel stock from outside the state. It is unusual for steel companies to not have facilities outside California that supply products to the state.

In closing, CMC expresses gratitude for the opportunity to provide feedback on several critical policy issues. However, we strongly oppose the creation of a cross-border adjustment mechanism because it is not a solution to the issue of leakage. It will create additional, unforeseen problems in the steel market and cause prices to escalate. Therefore, we urge you to remove this proposal from consideration.

Sincerely,



Chris Westrick
Vice President, Strategy, Government Affairs & Sustainability
CMC