November 12, 2025

VIA ELECTRONIC FILING

Ms. Rajinder Sahota
Deputy Executive Officer - Climate Change & Research
California Air Resources Board
1001 I Street
Sacramento, Ca 95814

Re: Neste Comments on Cap and Invest (C&I) Workshop on October 29, 2025

Dear Ms. Sahota:

Neste appreciates the opportunity to provide these comments to the California Air Resources Board (CARB) regarding the workshop on potential amendments to the C&I regulation. Neste is the world's largest producer of renewable diesel (RD) and SAF, over 90% of which are produced from waste and residues. During the past twenty years, Neste's transformation journey has taken it from a regional oil refiner to a global leader in renewable and circular solutions. Neste's goal is to achieve carbon neutral production by 2035 and supply California with products that will enable the state to be carbon neutral by 2045. We are in the business of combating climate change by producing effective climate solutions.

Neste welcomes this future rulemaking to ensure that the C&I regulation incorporates important updates, and to further strengthen the program. Neste appreciates CARB's proposal to focus more on emissions leakage, and as an in-state producer at our Martinez Joint Venture (JV) we welcome efforts to create a more even playing field in the renewable energy market. Neste looks forward to this rulemaking and will continue being an active partner in the fight against climate change.

The comments below pertain to materials provided by CARB in the October 29th workshop and we appreciate your consideration.

CARB Needs to do More to Protect In-state Renewable Energy Production

As noted by CARB in the C&I workshop[1], the California C&I program currently provides the least amount of industrial free allocations when compared to the rest of the major C&I programs in the world (see Table 1 below from slide 38). In other words, the program provides the least number of free allowances to California industry, forcing it to bear more compliance costs compared to industry in the EU and other jurisdictions with similar programs. We appreciate CARB's focus on this, as high compliance costs are one of the many factors that result in industry relocating out of state.

Table 1: Industrial Allocations vs Covered Emissions Ratio Among C&I Programs

Jurisdiction	2023 Industrial Covered Emissions	2023 Free Industrial Allowance Allocation	Ratio of Industrial Allocation to Industrial Covered Emissions (%)
California	54,876,876	32,921,049	60%
Washington	9,182,283	9,162,037	~100%
Québec	19,734,923	19,543,087	99%
European Union	628,571,429	528,000,000	84%
United Kingdom	50,900,178	36,856,294	72%

[1] https://ww2.arb.ca.gov/sites/default/files/cap-and-trade/meetings/nc_CapInvestWorkshop_October2925.pdf, see slide 38

CARB is probably also aware that U.S. domestic in-state operators must contend with much higher operating costs compared to U.S. domestic out-of-state producers. Below are some high-level examples:

- Electricity and natural gas prices are on average 300% higher in California compared to regions such as the US Gulf Coast[2,3];
- Labor costs are 13-14% higher in California when compared to energy producing states like Louisiana and Texas[4]; and
- Overall compliance costs are much lower for U.S. domestic out-of-state producers as they do not need to comply with California's advanced environmental and climate regulations.

Neste is also concerned by the proposal to remove 118.3 million credits from the allowance budgets through 2030 and how this could create unnecessary higher compliance costs for industries subject to the C&I program. If these allowances cannot be maintained as part of the auction allowance pool, then we recommend that CARB move them into the cost containment tiers to avoid increasing compliance costs for regulated entities.

Neste also believes that emissions leakage from the renewable fuels sector could result in fossil fuels replacing such renewable energy. There are still more logistical and production channels in the fossil fuels industry, and a renewable diesel plant shutting down, for example, is likely to be replaced with fossil diesel imports. CARB should consider doing more to protect U.S. in-state production from escalating compliance and operating costs.

Renewable Industry Needs Manufacturing Decarbonization Incentive

In light of evolving Federal incentives for renewable energy, California could bring more certainty for renewable fuel producers by creating a Manufacturing Decarbonization Incentive within the C&I program for in-state producers. Many Federal incentives have been eliminated and/or severely cut, and the C&I program could make up the difference to continue driving investments in renewable energy production in California. Such an incentive could fund the following types of projects at a HEFA renewable diesel plant:

- Installation of solar panels or wind turbines to produce renewable electricity and reduce electricity costs;
- Construction of green hydrogen plants to rely less on fossil hydrogen and reduce costs;
- Plant enhancements that would allow production of SAF, and more renewable naphtha, renewable gasoline and other renewable fuels; and
- Plant optimizations that lead to overall energy use reductions.

Additional Amendments to Consider as Part of this Rulemaking

As part of this rulemaking, Neste also recommends the following updates:

- Cap Assistance Factor (CAF): The Alternative CAF not tied to the cap as allowed by AB 1207 should be implemented to protect in-state industry competing with out-of-state producers that have much lower operating costs.
- Exempt Biomass-Based Emissions: All biomass-based emissions should be exempt from the C&I regulation, including from renewable naphtha, renewable propane and biogases. This exemption should be general enough so that future biomass-based fuels and intermediates are also exempt.

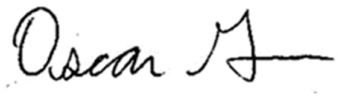
[2] https://www.eia.gov/dnav/ng/ng_pri_sum_a_EPG0_PIN_DMcf_m.htm
[3] https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=epmt_5_6_a
[4] https://www.bls.gov/oes/2023/may/oes518093.htm, see "Geographic profile for Petroleum Pump System Operators, Refinery Operators, and Gaugers"

- Allocation to Biorefineries: Biorefineries should be added as eligible for free allowances, with enhancements to what fossil refineries receive to further incentivize renewable energy production.

Neste looks forward to continued participation in the C&I rulemaking, and leading in the fight against climate change.

Please feel free to contact me if you want additional information or have questions regarding our submission.

We appreciate your consideration.



Oscar Garcia

Senior Regulatory Affairs Manager
Neste US, Inc.