



Marathon Petroleum Company LP

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November 12, 2025

Rajinder Sahota
Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Submitted Electronically via CARB workshop Comment Portal

Re: California Cap-and-Invest Program: October 29, 2025 Workshop

Dear Ms. Sahota:

Marathon Petroleum Company LP appreciates the opportunity to provide comments on the California Air Resources Board's Cap-and-Invest (C&I) Program Workshop held on October 29, during which CARB discussed options for updating the C&I Program. California Governor Gavin Newsom signed Assembly Bill 1207 (Irwin) and Senate Bill 840 (Limón) into law on September 19, 2025, and together, the new laws reauthorize and extend California's C&I Program through December 31, 2045.

Marathon Petroleum Company LP is a wholly owned subsidiary of Marathon Petroleum Corporation, which is a leading, integrated, downstream and midstream energy company headquartered in Findlay, Ohio. Marathon produces and supplies liquid fuels in the State of California and is investing in projects at its Los Angeles Refinery to reduce emissions and ensure a reliable fuel supply.¹ Marathon is also a 50 percent joint venture partner in Martinez Renewables LLC, which operates one of California's largest renewable diesel facilities, accounting for roughly half of the state's production. The Los Angeles and Martinez facilities employ union jobs and support the surrounding local economies.²

Although AB 32 did not require CARB to adopt a market mechanism to address greenhouse gas (GHG) emissions, CARB ultimately chose to implement a cap-and-trade program, which has been a key component of California's strategy for reaching its GHG emission reduction targets.³ Marathon was encouraged to see that AB 1207 refocuses on consumer affordability and authorizes CARB to amend the allowance price containment reserve and price ceiling if it finds consumers are not adequately protected. As pointed out in the October 29 Workshop, the prior statutory requirement to apply a declining cap adjustment factor – aligned with the statewide emissions declining cap – to industry allocations has been removed. This change enables CARB to implement a robust emissions leakage risk process to ensure California fuel producers remain competitive with out-of-state and international producers.

¹ <https://www.marathonlarmodernization.com/>

² Marathon LAR Sustainability brochure [2024 Los Angeles Sustainability Highlights Brochure](#)

³ Senate Bill 32 (Pavley, Chapter 249, 2016), AB 1279 (Muratsuchi, Chapter 337, 2022)

AB 1207 directs CARB to distribute industrial sector allowances in a manner that minimizes emissions leakage risk to cost-effectively achieve the State's climate targets. In response to CARB's question about the level of industrial allocations necessary to protect against emissions leakage, **Marathon requests that CARB set the industrial allocation for petroleum refineries - a trade-exposed industrial sector - at a level that prevents fuel production from shifting to out-of-state or international refineries.** This would not only minimize emissions leakage but would also allow California to continue proving that states can cut emissions across their economies while continuing to prioritize growth.

Emissions leakage occurs when production shifts out of California to jurisdictions with weaker carbon constraints, creating the illusion of reduced emissions while global emissions remain unchanged. Industrial allocation is designed to offset compliance costs for emissions-intensive, trade-exposed sectors so they remain competitive and do not relocate. The C&I Program compliance costs are projected to increase over time,⁴ increasing the risk that emissions-intensive, trade-exposed sectors such as in-state fuel producers will lose competitiveness. By removing the requirement to tie industrial allocations to the statewide declining cap, CARB now has the discretion and opportunity to allocate allowances at levels that better reflect leakage risk rather than rigid proportionality. While Marathon appreciates CARB's proposed implementation concepts, the current approach does not fully address the challenges faced by in-state fuel producers. Additional allocations will be essential to preserve cost competitiveness.

California's unique CARBOB gasoline specification differs from all other states and was developed to reduce air pollution. The result of this unique specification is that nearly all of California's gasoline is refined in the state.⁵ As California refineries have closed or converted away from gasoline production in the last two decades, maximum gasoline refining capacity has decreased. Due to the state sitting in a unique position with its petroleum refining isolation, California Energy Commission has identified that tanker vessels will be a likely source of CARBOB fuel supply as producers exit California. By not addressing C&I costs placed on in-state refineries, more marine imports of CARBOB and gasoline blending components will occur, thereby negating California's goal of emission reductions and lessening California's ability to meet in-state gasoline demand.⁶

Robust protection against leakage is critical to giving in-state fuel producers confidence that they can recover the costs of low-carbon investments and remain competitive with fuel producers in other states or countries with less stringent climate regulations. Not all sectors are equally impacted, and petroleum refineries are particularly vulnerable because of their association with high emissions that cannot be easily abated, and may be undercut by imports that have not been subject to equivalent climate-related policies.

In order to avoid increasing compliance costs and remain competitive with non-domestic producers, CARB must allocate more allowances to one of the most exposed industrial sectors, in-state fuel producers.

Please note that in submitting this letter, Marathon reserves the right to supplement its comments as it deems necessary, especially if additional or different information is made available to the public regarding the

⁴ CARB 11.16.23 C&I Workshop slide 34, 35 https://ww2.arb.ca.gov/sites/default/files/2023-11/nc-combinedSlides_Nov162023.pdf

⁵ California Energy Commission Report – Transportation Fuels Assessment, page 14 (August 2024)

⁶ See California Energy Commission Report – Transportation Fuels Assessment (August 2024)

Program rulemaking process. We incorporate by reference into this letter the relevant comments submitted by Western States Petroleum Association on November 12, 2025.

Thank you for the opportunity to provide comments. We are glad to discuss further and look forward to continued dialogue.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian McDonald', with a stylized, cursive script.

Brian McDonald
Marathon Petroleum Company LP | West Coast Regulatory Affairs Advisor