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January 21, 2026

Lauren Sanchez, Chair
California Air Resources Board
1001 I street
Sacramento, CA 95814

Re: Rinnai America Corp. Comments on CARB's Workshop on Zero-Emission Space and Water Heater Standards (December 11, 2025)

Dear Chair Sanchez:

Rinnai America Corporation is a leading manufacturer and supplier of gas water heaters and boilers in North America. Our manufacturing, distribution, and sales footprint is national, including significant sales in California. Our business is directly affected by state and local measures that ban, materially restrict, or burden the sale and installation of gas appliances.

Rinnai appreciates the opportunity to provide comments on the approach proposed in California Air Resources Board's (CARB) December 11, 2025 presentation for its Zero-Emission Space and Water Heater Standards. While Rinnai supports efforts to increase energy efficiency and reduce emissions—and is a leader in developing innovative products such as hydrogen-fueled water heaters—it has concerns with an approach that partially bans gas appliances and limits the affordable, reliable appliances that are available for consumers with varied needs and preferences. The proposed market-cap approach also imposes burdens and expense on manufacturers, potentially leading to appliance shortages and higher prices at a time when Californians are suffering from a lack of affordable housing and rising energy prices, particularly for electricity.

It is Rinnai's understanding that until this recent proposal, CARB was on course to issue zero-emissions standards that would have acted as a *de facto* ban on EPCA-covered appliances, phased in by varying deadlines. As CARB well knows, Rinnai is the lead plaintiff in a lawsuit challenging just such zero-emission appliance rules as preempted by the Energy Policy & Conservation Act (EPCA), 42 U.S.C. §6291 *et seq.*, making them void and unenforceable. *Rinnai America Corp., et al. v. South Coast Air Quality Management District*, No. 25-5129 (Ninth Circuit) (appeal pending; oral argument scheduled for Feb. 6, 2025). Such rules effectively ban gas appliances by prohibiting any combustion emissions and therefore concern the energy use of those appliances. *See* 42 U.S.C. §6297(c) (preempting any state regulation concerning the energy use of covered appliances). The Ninth Circuit's recent decision in *California Restaurant Ass'n v. City of Berkeley*, 89 F.4th 1094 (9th Cir. 2024), held just that: "[A] regulation on 'energy use' fairly encompasses an ordinance that effectively eliminates the 'use' of an energy source." *Id.* at 1102. Under the Ninth Circuit's holding and reasoning, zero-emission appliance standards "relate to 'the quantity of [natural gas] directly consumed by' certain consumer appliances at the place where those products are used," *id.* at 1101, and are therefore preempted.

Making this a partial or limited ban, rather than a 100% ban, by regulating appliance sales does not avoid these preemption concerns. It is still regulating concerning the energy use of appliances for

the appliances that cannot be sold by manufacturers or used by consumers—the appliances above the market cap that would otherwise be sold. CARB’s revised proposal imposes limits on sales of EPCA-covered gas appliances as a percentage of total appliance sales, and if those limits are exceeded, manufacturers must either have credits (which remain largely undefined) or must pay a penalty (undefined) on the sale of that covered product. While the proposed credit and penalty system is offered in an effort to provide regulatory flexibility, it seems unlikely to do so in practice—and indeed, the goal of the whole system is to reduce sales of gas appliances as a share of the appliance market significantly. It seems fair to assume that the system will achieve its goal, either because credits will not be sold (a likely result) or because the cost of credits and/or penalties will be so significant as to make gas appliances over the market caps non-competitive and unaffordable.

Moreover, this proposal directly harms smaller manufacturers like Rinnai that make more gas appliances than electric appliances. While CARB provides few details on how this system is actually expected to work in practice, the credits are gained by selling electric appliances. That from the start heavily favors manufacturers that sell more electric than gas appliances. Large manufacturers with larger electric portfolios will use their credits to sell their own gas appliances, and they will have little incentive to sell credits to smaller gas-appliance manufacturers like Rinnai that are competing with them in the market—or will price the credit so high that Rinnai will not be able to compete effectively.

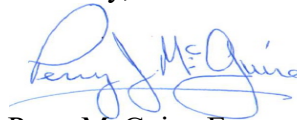
In addition, smaller manufacturers generally are less able to bear the costs and burdens of a complicated regulatory scheme that requires buying credits or paying penalties, as well as imposing onerous and invasive reporting requirements needed to make such a system operative. Rinnai has concerns with the information requested, which calls for individual customer names and what is normally considered proprietary and confidential trade secret information, and with the burden such reporting will impose. CARB’s scheme will require companies to retool manufacturing processes, adjust supply chains, and meet phased-in sales targets with accompanying compliance burdens (including reporting mandates) and will impose costs that will ultimately be passed on to consumers, either partially or in total. The need to modify manufacturing, sales and distribution is exacerbated by ongoing supply chain challenges, manufacturing and distribution infrastructure limitations, and the lack of technical feasibility. And by forcing a transition to technologies that are not yet viable in all applications (such as some existing buildings), the rules will drive consumers into higher-cost and less practical options that could require expensive retrofits. In short, CARB’s proposal presents substantial logistical and financial burdens for manufacturers, favors certain market players over others, and may even drive smaller players like Rinnai out of the market—lessening competition and harming consumers through decreased appliance choice and availability and through higher prices overall.

These types of burdens on manufacturers and limits on appliance availability and consumer choice were exactly what Congress wanted to avoid in EPCA. *See, e.g.* 42 U.S.C. §6295(o)(4) (the Department of Energy cannot adopt a regulation that makes appliance characteristics unavailable), §6297(d) (the Department cannot waive preemption for state regulations that, among other things, burden design, manufacturing, production, sales, or servicing of appliances or make appliance performance characteristics or features unavailable). If the proposed system works as CARB intends, it will function as a *de facto* ban on sales of gas appliances above the limits by making them either unavailable or unaffordable, *Cal. Rest.*, 89 F.4th at 1107 (cannot do indirectly what cannot be done directly), undermining Congress’ objectives in EPCA.

The South Coast AQMD recently proposed a similar market-cap scheme for its Rule 1111 *Reduction of NO_x Emissions from Natural Gas-Fired, Fan-Type Central Furnaces* and Rule 1121 *Control of Nitrogen Oxides from Residential-Type, Natural Gas-Fired Water Heaters*, but after it received comments noting the legal and practical concerns (including affordability and burdens on manufacturing) with such a proposal, it voted down the rule amendments. The U.S. Department of Justice submitted a June 5, 2025 letter in those proceedings stating that the proposed amendments were preempted by EPCA and warning that the Attorney General might take action to prevent such laws from being enforced.

Because CARB's proposed sales limit system raises the same concerns, it could face similar legal challenges. And particularly in light of the recent tragic and devastating wildfires, concerns with housing affordability, and the impacts of inflation and trade tariffs, CARB should be especially mindful of the financial burden on Californians. We appreciate CARB's efforts to develop an alternative approach to its zero-emissions rulemaking, but in light of the legal concerns, harm to consumers, and burdens on smaller companies, Rinnai requests that CARB reconsider its approach. CARB should instead develop fuel-neutral measures that incentivize efficiency and reduced emissions and that employ a system of credits for overall emissions reductions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Perry McGuire", with a stylized flourish at the end.

Perry McGuire, Esq.
Vice President & General Counsel
Rinnai America Corporation