

City of Palo Alto
Office of the Mayor and City Council

November 12, 2025 | Submitted electronically

Ms. Rajinder Sahota
Deputy Executive Officer – Climate Change & Research
California Air Resources Board
1001 I Street
Sacramento, California 95812

RE: Comments on California Air Resources Board's October 29, 2025, Cap-and-Invest Workshop

Dear Ms. Sahota,

The City of Palo Alto (Palo Alto) appreciates the opportunity to provide these comments on the California Air Resources Board's (CARB's) October 29, 2025, Cap-and-Invest Workshop. Palo Alto runs both electric and natural gas municipal utilities, as well as other publicly owned utility services.

Running both a publicly owned electric utility and natural gas utility, Palo Alto has a long history of prioritizing deep greenhouse gas (GHG) reductions. Palo Alto committed to a carbon-free electric portfolio in 2013, and in 2016 Palo Alto began focusing on local decarbonization by incentivizing customers to switch from natural gas appliances to electric appliances. The sale of our GHG allowances from our Natural Gas Publicly Owned Utility (POU) provides specific funding which these local decarbonization programs are counting on. Therefore, we ask that CARB staff preserve allocation of GHG allowances to Natural Gas POUs through at least 2030, as CARB staff verbally affirmed is their intent at the October 29th workshop.

Palo Alto has been an innovator in building electrification, and natural gas Cap-and-Trade (now renamed Cap-and-Invest) revenues have helped fund those innovations. Palo Alto has driven innovation with its 1000-unit Advanced Heat Pump Water Heater Pilot Program, launched in 2023 using Gas Cap-and-Trade revenue. Over 700 residents have already participated (about 20% of annual water heater turnover in Palo Alto). The program has one of the highest replacement rates in the nation, and the data from the program has been valuable to the Bay Area Air District in planning for the rollout of its Rule 9-6 regulations.

Using natural gas Cap-and-Trade revenues, Palo Alto also launched electric heat-pump space heating rebates in 2024. Palo Alto again expects to be able to provide similar helpful information to the Bay Area Air District as Rule 9-4 implementation approaches. Palo Alto is also launching an Affordable Housing Electrification Grant Program and several other programs to scale across all customers to help reach the community goal of 80% emission reductions by 2030.

In summary, Cap-and-Invest Program allowances to Palo Alto's Natural Gas POU customers are essential for funding Palo Alto's climate program activities and state GHG reduction goals. The City of Palo Alto urges CARB to maintain the existing allowances allocated to the Natural Gas POUs through 2030 and beyond.

Please do not hesitate to contact Lena Perkins at 650-329-2539 or lena.perkins@paloalto.gov if you have any questions regarding these comments.

Respectfully submitted,



Ed Lauing, Mayor, City of Palo Alto