August 18, 2025

Senate President pro Tempore Mike McGuire
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Sacramento, CA 95814

Assembly Speaker Robert Rivas
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Dear Senate President pro Tempore McGuire and Assembly Speaker Rivas,

As lawmakers take up Cap-and-Trade, they should not consider folding Carbon Capture and Storage (CCS) into the extension of the program from 2030 to 2045. Instead, they should reject any lobbyist pressure to include it in Cap-and-Trade, the state's central program that caps greenhouse gas emissions and mandates companies trade pollution allowances.

Some regulators turned oil lobbyists shaped the Cap-and-Trade program from within CARB, feathering their nests for future work for regulated companies. Among their clients are oil giants peddling false climate solutions such as CCS. Their lobbyists push the view that CCS is positive. In fact, the process of capturing emissions from industrial smokestacks is polluting, fossil-fuel intensive, and is far more likely to fail than succeed, according to the Institute for Energy Economics and Financial Analysis. The dedicated pipelines to transport compressed carbon for burial are also dangerous because CO2, if leaked, is a potentially lethal asphyxiant.

Former regulators-turned-lobbyists want CARB to clarify that CCS can lessen how many pollution allowances oil companies must buy. Industry investments into CCS elsewhere in the United States or in California outside their own regulated facilities could also be included to earn a small allowable percentage of carbon "offset credits" to reduce the amount of pollution allowances that companies must buy to meet Cap-and-Trade obligations. Current qualifying projects include reforestation, forest preservation, and methane capture from dairy farms and landfills. Studies find offset projects rarely deliver what they promise, nor do they do anything to reduce emissions at regulated instate facilities that continue to pollute communities.

These lobbyists profit from carbon capture and from existing loopholes in Cap-and-Trade.

Virgil Welch, a star CCS lobbyist, was employed by CARB twice. He first served as Special Counsel and Chief Advisor to former Chair Mary Nichols involved in policy across the board, including Cap-and-Trade. He began work in 2008 until May 1, 2016, according to CARB. He then joined the AJW lobbying and consulting firm that reported him as a partner between 2016 and 2017. During his time with AJW, the International Emissions Trading Association USA (IETA) was onboarded. IETA represents some of the world's largest fossil fuel and energy distribution companies and advocates for market-based solutions to climate change, including CCS and other carbon capture technologies. IETA paid AJW to lobby CARB and the legislature on Cap-and-Trade and other matters from April through September 2017, according to IETA lobbying reports.

Welch returned to his CARB job on October 18, 2017, and then left again on March 1, 2021, according to CARB. The watchdog group Energy & Policy Institute reported that emails obtained through PRA showed while still at CARB "Welch advised a campaign to influence his own agency to focus on carbon capture in its five-year scoping plan to reduce emissions in California."

In 2021, Welch joined the lobbying shop Caliber Strategies. As of 2022, he was executive director of the California Carbon Capture Coalition that became a Caliber client in 2021. In 2022, the California Carbon Capture Coalition's IRS 990 Form listed Caliber Strategies as a consultant for $260,000. The Energy & Policy Institute described the California Carbon Capture Coalition as a fossil fuel industry front group funded by Chevron, SoCalGas, Aera Energy, and the Western States Petroleum Association.

Welch now directs the California Carbon Solutions Coalition that advocates for broader carbon solutions. It became a Caliber client in 2023. The California Carbon Solutions Coalition paid Caliber Strategies $191,000 for consulting, according to its 2024 IRS 900 Form. In the last legislative cycle, Caliber lobbied for AERA Energy at CARB on policy to do with CCS. Aera has a CCS project in the works. In the first quarter of 2025, the carbon solutions coalition paid Caliber to lobby CARB and other agencies on carbon sequestration, according to the coalition's lobbying report and Caliber's. Caliber also lobbied CARB in the first quarter of 2025 on carbon capture and sequestration for the California Resources Corp. that also has a CCS project in the works.

On behalf of the California Carbon Solutions Coalition, Welch is currently urging the CalEPA, CARB's parent agency, and its Independent Emissions Market Advisory Committee that annually reviews the Cap-and-Trade program, to back "full incorporation" of CCS used at smokestacks into the Cap-and-Trade program.

Jon Costantino, another former CARB regulator, worked at CARB in the aughts, serving as a climate change planning manager involved in the creation of the 2008 blueprint that devised Cap-and-Trade as a leading greenhouse gas reduction strategy. He left CARB in 2010 and founded the lobbying firm Tradesman Advisors six years later. In the 2023-2024 legislative cycle, Tradesman Advisors lobbied CARB for the Verified Emissions Reduction Association (VERA) that Costantino also directs. The trade association represents developers of carbon offsets and has developed an applicable framework for CCS. Tradesman lobbied CARB on Cap-and-Trade regulation for Phillips 66 in the first quarter of 2025, as it did in the 2023-24 legislative cycle.

The revolving door story, to the detriment of climate policy, has been repeated when it comes to the Low Carbon Fuel Standard (LCFS) that sets declining carbon intensity targets for transportation fuels. The program was originally conceived primarily for the purpose of promoting electrification for EVs to get California off fossil fuels but instead now favors alternative fuels.

Richard Corey, for example, was CARB Executive Officer for several years before leaving in September 2022 after 37 years there. While still at CARB, he was a booster at conferences and public hearings for oil refiners Marathon Petroleum and Phillips 66 when they sought to convert their Bay Area gasoline refineries to run on animal fats and vegetable oils. He then joined AJW. Corey is not registered as an AJW lobbyist. AJW represents World Energy, an alternative jet and commercial vehicle fuel refiner based in Los Angeles County that uses inedible agricultural waste, fats, oils, and greases.

When biofuels are burned, they still emit carbon dioxide and can also emit other pollutants, including particulate matter and components of smog. But under the LCFS, such alternative fuels generate credits based on how much they reduce carbon intensity compared to a state-mandated baseline. These credits can be sold or traded to companies that exceed the carbon intensity limit, typically to fossil fuel providers. Projects that use CCS and deliver refined fossil fuels to California can also earn credits for CO_2 captured through CCS.

Unfortunately, as these programs' standards are tightened to reduce pollution, the rising costs of compliance will be passed on to consumers, according to CARB and LAO analysis respectively. According to the LAO, if Cap-and-Trade allowance prices are allowed to reach their set price ceiling, consumers will face prices roughly 74 cents per gallon higher compared to 23 cents per gallon now to pay for Cap-and-Trade. At that point, low-income consumers would be hit hardest, paying about $700 per year for the program. The recent acceleration of the carbon intensity standards under the Low Carbon Fuel Standard will add more than 50 cents per gallon to the cost of gasoline next year, according to internal CARB analysis. The environmental effects are also dangerous as growing soybeans and other feedstocks for alternative fuels can create food insecurity and combustion of the fuels generates greenhouse gas emissions.

These sorts of conflicts of interest explain why policies at CARB are skewed to delay a transition to a zero-carbon economy as long as possible. It's not fair for consumers to be paying for that. It's why, on its merits, CCS should not be rolled into Cap-and-Trade. We urge you to ensure that it does not happen.

Sincerely,

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