
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Steven Bradford, Chair
2023 - 2024 Regular**

Bill No:	AB 2537	Hearing Date:	6/24/2024
Author:	Addis		
Version:	6/12/2024 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Nidia Bautista		

SUBJECT: Energy: Voluntary Offshore Wind and Coastal Resources Protection Program: community capacity funding activities and grants

DIGEST: This bill establishes the Offshore Wind Community Capacity Funding Grant Account for the purpose of building capacity within local communities and tribal communities to support engagement of the process of offshore wind (OSW) energy development in California, and continuously appropriates the funding.

ANALYSIS:

Existing law:

- 1) Requires the State Energy Resources Conservation and Development Commission (also known as the California Energy Commission (CEC)), in coordination with specified state entities and other relevant federal, state, and local agencies, to develop a strategic plan for OSW energy developments installed off the California coast in federal waters, and requires the CEC to submit the strategic plan to the Natural Resources Agency and the Legislature on or before June 30, 2023. (Public Resources Code §25991 *et seq.*)
- 2) Establishes the policy that all of the state's retail electricity be supplied with a mix of renewable portfolio standard-eligible and zero-carbon resources by December 31, 2045, for a total of 100 percent clean energy. Requires the California Public Utilities Commission (CPUC), in consultation with the CEC, California Air Resources Board and all California balancing authorities, to issue a joint report to the Legislature by January 1, 2021, reviewing and evaluating the 100 percent clean energy policy, and every four years thereafter. (Public Utilities Code § 454.53)
- 3) Establishes the Voluntary Offshore Wind and Coastal Resources Protection Program, which is administered by CEC for the purpose of supporting state activities that complement and are in furtherance of federal laws related to the development of OSW facilities. (Public Resources Code §25992.10)

- 4) Creates, and continuously appropriates moneys in, the Voluntary Offshore Wind and Coastal Resources Protection Fund for purposes of the program and the Private Donations Account, which is created in the fund. (Public Resources Code §25992.20)
- 5) Authorizes the CEC to accept federal and private sector moneys for purposes of the program and requires the private sector moneys to be deposited into the account and the federal moneys to be deposited into the fund. Existing law authorizes the CEC to allocate moneys in the fund or account for specified purposes, including workforce development grants. (Public Resources Code §25992.21)
- 6) Requires, if the CPUC requests the Department of Water Resources (DWR) to procure eligible energy resources, and DWR elects to exercise its central procurement function to conduct one or more competitive solicitations or enter into contracts for eligible energy resources, as provided, the CPUC, in consultation with DWR, to develop and adopt procedures and requirements that govern competitive procurement by, obligations on, and recovery of costs incurred by DWR relating to bids for the development of eligible energy resources. (Water Code §80820)

This bill:

- 1) Authorizes the CEC to allocate moneys in the fund or account for capacity funding activities and grants within local communities and tribal communities to engage in the process of OSW energy development. By expanding the purposes for which continuously appropriated moneys may be allocated, this bill would make an appropriation.
- 2) Creates the Offshore Wind Community Capacity Funding Grant Account in the fund, and would continuously appropriate the moneys in this account to the CEC to fund capacity funding activities and award capacity funding grants, thereby making an appropriation, as specified.
- 3) Requires California OSW leaseholders to provide financial assistance to fund capacity funding activities and grants for the three-year period after the leaseholder executes an OSW lease, as provided.
- 4) Requires the CEC to annually prepare and submit a report to the Legislature on the implementation and effectiveness of those activities and grants.

- 5) Requires the CEC to develop guidelines for the use of those moneys, and would require the guidelines to be subject to review and revision every three years.
- 6) Includes a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of two-thirds of the membership of each house of the Legislature.

Background

California's clean energy goals. SB 100 (De León, Chapter 312, Statutes of 2018) established the state policy that renewable and zero-carbon resources should supply 100 percent of retail sales and electricity procured in the state by 2045. This policy was recently updated under SB 1020 (Laird, Chapter 361, Statutes of 2022) which accelerated the requirement on state agencies to 100 percent by 2035, and established interim targets to meet the 100 percent goal.

SB 100's Joint Agency Report. SB 100 established a target for renewable and zero-carbon resources to supply 100 percent of retail electricity sales by 2045 and includes a requirement for a Joint Agency Report as a first step to evaluate the challenges and opportunities in implementing SB 100. OSW was included as part of the core scenario in the *2021 SB 100 Joint Agency* report. The OSW system availability was limited to 10 gigawatts (GW) over four resource zones: Morro Bay, Diablo Canyon, Humboldt Bay, and Cape Mendocino. The model was given an input assumption of 2030 as the first available year for bringing OSW online, given the current California Independent System Operator (CAISO) interconnection queue and resource development needs of OSW, with costs for the different zones estimated between \$69 and \$82 per megawatt hour (MWh) for 2030. Given these input assumptions, nearly all 10 GW of OSW was selected when made available in the model, but this selection only occurred after 2035, regardless of the scenario, and the full 10 GW was selected only in 2045. OSW energy generation is projected to be an important component of the state's efforts to decarbonize energy generation and to achieve carbon neutrality by 2045, particularly as OSW can be a more stable and complementary resource to help integrate with variable renewable energy resources. The report notes "The preliminary findings [in the report] are intended to inform state planning and are not intended as a comprehensive nor prescriptive roadmap to 2045... future work will delve deeper into critical topics such as system reliability and land use and further address energy equity and workforce needs." The next joint report will be released in 2025, and one every four years later.

OSW potential. As of 2019, almost six GW of installed wind capacity was generating in the state, the fifth largest amount of wind capacity in the United States, with all of it generated from land-based systems. Although California has no commercial OSW generation, the National Renewable Energy Laboratory has identified 112 GW of OSW technical potential for California. However, approximately 96 percent of this potential is located in water deeper than 60 meters, where the mature, fixed-bottom turbine technology is not technically feasible. Off the coast of California, a steep continental shelf and increased wind speeds combine to make floating turbines the primary technically feasible option. Depending on the type of floating structure, some assembly of floating turbines may need to occur offshore, requiring naval cranes and vessels to stabilize such operations, and port infrastructure and specific port water depths. In contrast, most of the development of OSW globally has occurred via fixed turbine technologies where the turbines are anchored to the seabed through a solid foundation. Due to the water depth in areas with high ambient winds, much of the OSW energy projects serving California are likely to be composed of very large floating wind turbines (as tall as the Eiffel Tower) anchored to the sea floor in federal waters offshore. These projects will include components in state waters, such as cables transporting the energy onshore, vessels navigating state waters to serve the projects, and docking and support facilities onshore. Depending on the type of floating structure, some assemblage of floating turbines may need to occur offshore, requiring naval cranes and vessels to stabilize such operations, and port infrastructure and specific port water depths.

OSW Report. AB 525 (Chiu, Chapter 231, Statutes of 2021) required the CEC, in coordination with federal, state, and local agencies, California Native American tribes, and a variety of stakeholders, to develop a strategic plan for OSW energy development in federal waters off the California coast. In August 2022, the CEC approved a planning goal of 2,000 to 5,000 MW of OSW energy capacity by 2030, and 25,000 MW by 2045. In January 2024, the CEC released a long-awaited *Draft Strategic Plan for Offshore Wind Development* in three volumes, and is currently taking public comment on this plan. Among its contents, the strategic plan discusses the impacts and strategies to address those impacts in California's underserved communities.

California Native Tribes – Impacts & Strategies. According to the AB 525 Report, the CEC and coordinating agencies had numerous tribal consultations and community engagement discussions on the potential impact of OSW energy development. For California Native Tribes:

- Each of them has its own perspective, concerns, and priorities regarding offshore wind development. Many tribal members depend on local fishing

and harvesting of sea life for cultural, subsistence, and commercial needs, and have concerns about the potential impact on their ability to feed their families and loss of income from commercial fishing.

- On the North Coast, there have been significant concerns about the impacts on the population and migration patterns of the already endangered salmon.
- They have concerns about the impacts of OSW and associated infrastructure on tribal cultural resources.
- There have been concerns regarding the fiscal impact that comes with participating at ongoing meetings on planning processes such as permitting processes.

In Humboldt, there are three federally-recognized Tribes near the OSW lease site: the Yurok, the Wiyot, and the Mattole. Morro Bay and Diablo Canyon are ancestral lands of cultural, ceremonial, and spiritual importance to the Santa Ynez Band of Chumash Indians Tribe, and the Gabrieleño are near the Santa Barbara coastline.

Strategies for Addressing Impacts. Some of the suggestions in the *525 Report* include conducting meaningful consultation with tribal representatives, supporting the establishment of strong, legally binding tribal community benefits agreements, continuing to study impacts on tribes including exploring public safety measures to reduce violent crime and sexual and gender-based violence against California tribes and other vulnerable populations, and collaborating with tribes on avoidance, mitigation, and co-management opportunities.

Underserved Communities – Impacts & Strategies. Historically, underserved communities have experienced a disproportionate share of economic, health and environmental burdens, which include poverty, high unemployment, air and water pollution. OSW development can provide a variety of benefits such as the creation of well-paying jobs and new tax revenues. Industrial activity can impact underserved communities living near ports through air, water, noise, and light pollution. Additional air pollution may also occur from increased vehicle emissions on land and vessel emissions offshore to transport raw materials and turbines. Advocates would like to see increased engagement with potentially impacted communities. The CEC 525 Report notes that strategies to address these impacts include conducting early and meaningful community outreach and engagement efforts throughout the OSW planning and development process.

SB 286 Fisheries Working Group. Among its provisions, SB 286 (McGuire, Chapter 386, Statutes of 2023), established the California Offshore Wind Energy Fisheries Working Group (Working Group). This group includes representatives

from the relevant permitting and resource agencies, commercial and recreational fishing industries, OSW energy industry, California Native American Tribes with affected tribal fisheries, and other stakeholders, as determined by the California Coastal Commission (CCC). The Working Group is required to develop a statewide strategy by January 1, 2026, that proposes ways to minimize impacts of OSW on ocean fisheries, including the application of best practices in compensating impacted stakeholders. After the statewide strategy is developed, the CCC must review and adopt it on or before May 1, 2026.

The Working Group is responsible for creating a framework for reasonable compensatory mitigation for unavoidable impacts associated with OSW energy projects. The framework must include a payment structure to reasonably compensate commercial, tribal, and recreational fisheries and impacted commercial fish processors. The California State Lands Commission (SLC) – or a local trustee of granted public trust lands standing in its place – must consider reasonable compensatory mitigation for unavoidable impacts to fishing and tribal interests when granting a lease for an OSW energy project. In addition, SLC is required to deposit revenues generated from the leases into a newly created Offshore Wind Energy Resiliency Fund. Upon appropriation by the Legislature, the fund will be made available for reasonable compensatory mitigation for unavoidable impacts.

AB 209 establishes voluntary fund and program. AB 209 (Committee on Budget, Chapter 251, Statutes of 2022) established the Voluntary Offshore Wind and Coastal Resources Protection Program at the CEC to support OSW development. The CEC provides grants to public and private entities, including state agencies, tribal entities, local governmental agencies, research institutions, and nonprofit entities. The CEC can also accept federal and private sector money for the Voluntary Program. AB 209 also established the Voluntary Fund which accepts donations from private and federal sources.

Central Procurement Entity. AB 1373 (Garcia, Chapter 367, Statutes of 2023) authorized the DWR under the request of the CPUC to serve as a central procurement entity for procurement of diverse clean energy resources in order to support the state's clean energy and reliability goals. OSW may qualify for such procurement. Furthermore, AB 1373 required the CPUC to adopt procedures that govern competitive procurement obligations and recovery of costs incurred by DWR relating to bids for the development of eligible energy resources. Under that requirement, DWR must consider a project's viability, the useful life of a project when evaluating bids received through the solicitation process. The CPUC, by September 1, 2024, is required to determine if there is a need for procurement of these eligible energy resources.

Comments

Need for this bill. The proponents of this bill contend that the development of OSW energy projects has the potential for both valuable benefits and harmful negative impacts. They argue that it's crucial that communities have the opportunity to participate in this permitting, siting, and project development process. The proponents state that communities and tribes located close to OSW impacts, in particular, have a vested interest in decision-making opportunities during the OSW development process. However, not all communities have the financial means to do so. One way to facilitate their engagement is community capacity building. This bill would require lease holders to provide financial assistance to fund capacity building activities and grants and provided for the three-year period after the leaseholder executes a California OSW lease.

Continuous appropriation. This bill embeds the new Offshore Wind Community Capacity Funding Grant Account and its related activities within the statutory language adopted in AB 209 which creates a continuous appropriation. This bill is silent on the amount of the financial assistance for capacity building, with the notion that this would likely be negotiated with the leaseholders. The CEC would have the discretion to award any funding deposited into the Account in an equitable manner determined by the CEC. This bill requires the CEC to develop guidelines to the use of the moneys, working with relevant stakeholders and to revise the guidelines every three years.

Need for amendments. The author and committee may wish to amend this bill to:

- Clarify that the CEC must develop the guidelines via a public process with public workshops.
- Clarify the language related to tribal participation.
- Clarify the funding collected as proposed by this bill is subject to the donation reporting requirements in existing law.
- Add a date by when the CEC must annually report to the Legislature.

Dual referral. Should this bill be approved by this committee, it will be re-referred to the Senate Committee on Natural Resources and Water.

Prior/Related Legislation

AB 3006 (Zbur, 2024) amends the definition of “infrastructure” for purposes of the Governor’s annual infrastructure plan to include port infrastructure for OSW energy development. The bill is pending in the Senate Committee on Appropriations.

SB 286 (McGuire, Chapter 386, Statutes of 2023) among its provisions, established the Working Group to address OSW project impacts to certain fisheries and other interests, including providing for compensation to those affected, among other things.

AB 209 (Committee on Budget, Chapter 251, Statutes of 2022), among its many energy-related provisions, established the Voluntary Offshore Wind and Coastal Resources Protection Program.

AB 525 (Chiu, Chapter 231, Statutes of 2022) required the CEC to establish, by June 1, 2022, planning goals, as specified, for the years 2030 and 2045 from electricity generated by OSW. The bill also required the CEC, in coordination with specified agencies, to develop a strategic plan, as specified, for OSW developments and to submit the plan to the Natural Resources Agency and the Legislature by June 30, 2023.

FISCAL EFFECT: Appropriation: Yes Fiscal Com.: Yes Local: No

SUPPORT:

Brightline Defense Project, Sponsor
350 Humboldt
350 Sacramento
American Clean Power-California
California Environmental Voters
Central Coast Alliance United for a Sustainable Economy
City of Morro Bay
Climate Action California
County of San Luis Obispo
Elected Officials to Protect America - California
Environment California
Environmental Defense Center
Environmental Protection Information Center
Humboldt California's Redwood Coast
Monterey Bay Aquarium Foundation
National Resources Defense Council
National Wildlife Federation
Peninsula Community Collaborative
Redwood Community Action Agency
Redwood Region Climate & Community Resilience Hub
Sierra Club California
SLO Climate Coalition

The Climate Reality Project, Los Angeles Chapter
The Climate Reality Project, San Fernando Valley Chapter
Union of Concerned Scientists
USC Schwarzenegger Institute

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: In support of the bill, Brightline Defense states:

In our engagement with community-based organizations, Tribal members, and community leaders across the state, we have heard a resounding urgency and need for equity in California's offshore wind future and a particular need for opportunities to expand technical and community capacity to deeply engage in ongoing processes. Brightline is pleased to sponsor AB 2537, a bill that will help create necessary and important funding for communities to prepare for offshore wind development. Tribes and local governments are important decision makers in offshore wind development that need further capacity to support the permitting process. Local community-based organizations and stakeholder engagement in state and federal permitting processes are also vital to ensure that offshore wind is able to benefit all Californians. As permitting and state planning processes move forward, community capacity to engage at this time is critical.

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