
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**
Senator Ben Hueso, Chair
2021 - 2022 Regular

Bill No: AB 2204 **Hearing Date:** 6/27/2022
Author: Boerner Horvath
Version: 5/19/2022 Amended
Urgency: No **Fiscal:** Yes
Consultant: Nidia Bautista

SUBJECT: Clean energy: Office of Clean Energy Workforce

DIGEST: This bill establishes the Office of Clean Energy Workforce (OCEW) within Labor and Workforce Development Agency (LWDA) and mandates that the OCEW's executive director be appointed by the governor with the consent of the Senate.

ANALYSIS:

Existing law:

- 1) Establishes the California Global Warming Solutions Act of 2006, which requires the California Air Resources Board (CARB) to adopt a statewide greenhouse gas (GHG) emissions limit equivalent to 1990 levels by 2020 and to adopt rules and regulations to achieve maximum technologically feasible and cost-effective GHG emission reductions. Requires CARB to ensure that statewide GHG emissions are reduced to at least 40 percent below the 1990 level by 2030. (Health and Safety Code §38500 et seq.)
- 2) Establishes the 100 Percent Clean Energy Act of 2017 which increases the Renewables Portfolio Standard (RPS) requirement from 50 percent by 2030 to 60 percent, and creates the policy of planning to meet all of the state's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045, for a total of 100 percent clean energy. (Public Utilities Code §454.53)
- 3) Establishes the Greenhouse Gas Reduction Fund (GGRF) and requires all moneys, except for fines and penalties, collected by CARB from the auction or sale of allowances pursuant to a market-based compliance mechanism to be deposited in the GGRF and available for appropriation by the Legislature. (Government Code §16428.8)
- 4) Establishes the LWDA to serve California workers and businesses by improving access to employment and training programs; enforcing California

labor laws to protect workers and create an even playing field for employers; and administering benefits that include workers' compensation, unemployment insurance, disability insurance, and paid family leave. (Government Code §15550 et seq.)

- 5) Requires the California Workforce Development Board (CWDB) to publish a report outlining recommendations on workforce development and training to help communities adapt to the economic and labor-market changes resulting from California's transition to a carbon neutral economy. (Health and Safety Code §38591.3)
- 6) Establishes the California Jobs Plan Act of 2021, which requires CARB to work with the LWDA to update, by July 1, 2025, the funding guidelines for administering agencies to ensure that all applicants to grant programs funded by the GGRF meet fair and responsible employer standards and provide inclusive procurement policies. (Government Code §38599.10 et seq.)

This bill:

- 1) Establishes the OCEW within LWDA and mandates that the OCEW's executive director be appointed by the governor with the consent of the Senate.
- 2) Requires OCEW to:
 - a) Coordinate with LWDA, the California Energy Commission (CEC), the Office of Planning and Research (OPR), the California Environmental Protection Agency, the California Natural Resources Agency, the State Lands Commission, the California Geological Survey, the California Public Utilities Commission (CPUC), CARB, and any other relevant state agency, to track the progress of the state moving to 100 percent clean energy. This shall include identifying the timing and location of fossil fuel facility closures and workforce transition needs, establishing timelines for workers to transition from fossil fuel-based jobs to clean energy jobs, tracking clean energy jobs and projects, and tracking the transition of workers from fossil fuel-based jobs to clean energy jobs.
 - b) Create or coordinate programs with other state agencies to retrain and upskill workers for clean energy jobs, including identifying training needs and gaps in current state programs, and determining what skills will be needed for the workforce over the next 25 years.
 - c) Submit a report to the Legislature by January 1, 2024 on the clean energy transition and OCEW's progress in meeting that transition.

- 3) Repeals OCEW on December 31, 2045.
- 4) Finds and declares, among other things, that despite the state’s GHG reduction achievements, California lacks a robust workforce development strategy to shift to a clean energy economy and transition to a zero-emissions future.

Background

California’s Fossil Fuel Workforce. In June 2021, the Department of Economics and Political Economy Research Institute (PERI) at the University of Massachusetts, Amherst, released a report, *A Program for Economic Recovery and Clean Energy Transition in California*, showing there are roughly 112,000 people employed in the fossil fuel-based industries in California in 2019, amounting to 0.6 percent of the state’s workforce. Of these, 32,290 (29 percent) are employed in natural gas distribution, 27,720 (25 percent) work in oil and gas extraction, 11,203 (10.0 percent) are in petroleum refining, 10,259 (9.1 percent) are in support activities for the oil and gas industry and 8,658 (7.7 percent) are employed in fossil-fueled electric power generation. California’s oil and gas jobs offer significant compensation and benefits, providing workers in those jobs with security for themselves and their families. According to the PERI report, average annual compensation for fossil-fuel workers is around \$130,000, well above the average of \$85,300 received by workers in California’s clean energy sectors. Three counties in California—Kern, Contra Costa, and Los Angeles—account for roughly half of all employment in the state’s fossil fuel-based industries, with the majority in Kern County. The PERI report estimates that about 3,200 workers per year may be displaced in these industries in California between 2021 and 2030, while another roughly 2,500 will voluntarily retire each year. The report estimates that a generous transition package for these workers would come to about \$470 million per year (based on a contraction of 50 percent of the workforce by 2030).

AB 398 (E. Garcia, Chapter 135, Statutes of 2017) required workforce impacts report. In June 2020, CWDB released *Putting California on the High Road: A Jobs and Climate Action Plan for 2020*. The report addresses workforce interventions to ensure that the transition to a carbon-neutral economy creates high-quality jobs, prepares workers with the skills needed to adapt to and master new zero- and low-emission technologies, broadens career opportunities for workers from disadvantaged communities, and supports workers whose jobs may be at risk. The report includes recommendations “for just transition” to assist the state in planning for the protection and support of workers at risk of declining opportunities in the fossil fuel industry.

Governor Newsom issues Executive Order. In September 2020, Governor Newsom signed Executive Order N-79-20, which directed the LWDA and the

OPR, by July 15, 2021, to design the state's first *Just Transition Roadmap*. The goal of the Roadmap is to provide a framework for the state's economic recovery that recognizes global and statewide shifts in key industries and regional economies likely to result from a transition to carbon neutrality. The roadmap has yet to be published.

SB 162 (Committee on Budget and Fiscal Review, Chapter 259, Statutes of 2021). SB 162 established and funded, with a \$600 million appropriation from the Coronavirus Fiscal Recovery Fund of 2021, the Community Economic Resilience Fund Program, within the Workforce Services Branch of the Employment Development Department, in order to provide financial support to establish highroad transition collaboratives. The Inter-Agency Leadership Team is required to award planning grants on a rolling and competitive basis to each region.

Governor's Budget proposals includes related workforce provisions. The Governor's proposed budget for 2022-23 calls for a \$15 million one-time appropriation to support a workforce training pilot for displaced oil and gas workers in remediating legacy oil infrastructure. The proposed budget also calls for a one-time appropriation of \$50 million from the general fund for a pilot to address the needs of oil and gas workers facing displacement. Additionally, the proposed budget calls for \$60 million dollars over three years to be placed in the General Fund to restart the CWDB's Low Carbon Economy Workforce grant program.

Additionally, the Governor's May Budget proposal includes \$17 million from the General Fund over two years to the CWDB to expand high road training partnerships in industry sectors that support the state's response to extreme heat, such as heating, ventilation and cooling, cool roofs, urban forestry, and others. The May Budget Revisions also includes a proposal to establish an Assistant Secretary for Climate who will be responsible for the oversight and continued development of the LWDA's growing portfolio of climate-based workforce development programs. This portfolio includes the Community Economic Resilience Fund (CERF) program, the Displaced Oil and Gas Worker Fund program, the Extreme Heat Action Plan High Road Training Partnerships program, the Well Capping Workforce Pilot program, and the Low Carbon Economy Workforce grant program (formerly known as the Workforce Development Training and Apprenticeships program that was funded with GGRFs).

Comments

Just Transition sought. California, the world's fifth largest economy, is often touted as a national and international leader on subnational climate change policy,

with the adoption of various statutes to reduce greenhouse gas emissions economy-wide and on specific sectors, as well as, advancing clean energy and renewable energy policies. As California moves to meet its existing climate and clean energy policies, the oil and gas industries may contract. As a result, investment in an ongoing relief program to take care of displaced workers, their families, and their communities could prove critical. As noted above, the Legislature and governor are in the midst of debating and reviewing related budget proposals. The author views this bill as a related effort by providing a central hub for these discussions in order to ensure the longer-term stability and transparency of the initial work on workforce training proposed in the budget. As budget discussions continue through Legislative session, the Legislature may wish to revisit this bill proposal to ensure it is aligned with the final budget action adopted by the Legislature and governor.

Double Referral. This bill was heard by the Senate Committee on Labor, Public Employment and Retirement on June 22, 2022 and passed 4 -0 (1 not voting).

Prior/Related Legislation

SB 162 (Committee on Budget and Fiscal Review, Chapter 259, Statutes of 2021) established and funded, with a \$600 million appropriation from the Coronavirus Fiscal Recovery Fund of 2021, the Community Economic Resilience Fund Program, within the Workforce Services Branch of the Employment Development Department, in order to provide financial support to establish highroad transition collaboratives. The Inter-Agency Leadership Team is required to award planning grants on a rolling and competitive basis to each region.

AB 1634 (Boerner Horvath, 2022) would declare that it is the Legislature's intent to enact subsequent legislation to create the Office of Just Transition in the LWDA to help communities and workers transition to carbon neutrality jobs that build a robust clean economy in which all Californians prosper. The Assembly Rules Committee has not referred the bill.

AB 1966 (Muratsuchi, 2022) would declare that it is the Legislature's intent to subsequently amend this bill to include provisions that would establish the California Equitable Just Transition Fund to assist fossil fuel-dependent workers with wage replacement, wage insurance, pension guarantees, health care, retraining, peer counseling, and relocation support for fossil fuel workers who face layoffs due to closure of operations. The Assembly Rules Committee has not referred the bill.

AB 680 (Burke, Chapter 746, Statutes of 2021) established the California Jobs Plan Act of 2021 which requires the CARB to work with the LWDA to update, by July 1, 2025, the funding guidelines for administering agencies to ensure that all applicants to grant programs funded by the GGRF meet fair and responsible employer standards and provide inclusive procurement policies.

AB 1453 (Muratuchi, 2021) would have established the Just Transition Advisory Commission and tasked it with developing and adopting a Just Transition Plan, containing recommendations to transition the state to a climate-resilient and low-carbon economy while protecting specified workers and communities. The Assembly Appropriations Committee held the bill in committee.

AB 398 (E. Garcia, Chapter 135, Statutes of 2017) among its many provisions, required CWDB to publish a report outlining recommendations on workforce development and training to help communities adapt to the economic and labor-market changes resulting from California's transition to a carbon neutral economy.

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

SUPPORT:

California Environmental voters
Central Coast Energy Services
San Francisco Peninsula Services

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to the author:

With California facing the increasing impacts of the climate crisis, AB 2204 keeps California leading on moving away from fossil fuel dependence and to a carbon-neutral future by creating the Office of Clean Energy Workforce. The Office and its Board will ensure the transparency and accountability that renewable projects are being built, the workforce is prepared and that we will, in fact, be able to meet our ambitious climate goals.