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

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

Bill No:	SB 1206	Hearing Date:	4/22/2024
Author:	Becker		
Version:	4/3/2024 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Sarah Smith		

SUBJECT: GO-Biz: next generation batteries

DIGEST: This bill authorizes the Governor’s Office of Business and Economic Development (GO-Biz) to establish a battery manufacturing hub to research and develop specified battery technologies. This bill specifies that the hub will use existing federal funds, including federal production tax credits to provide in-state financing for battery development projects that comply with certain labor requirements, including the use of project labor agreements.

ANALYSIS:

Existing law:

- 1) Authorizes GO-Biz to take steps necessary to apply for federal regional clean hydrogen hubs funding. Existing law defines “clean hydrogen” for the purposes of the clean hydrogen hub funding as hydrogen produced from RPS-eligible energy resources and otherwise consistent with federal law for the clean hydrogen hub program. (Government Code §12100.161–12100.162)
- 2) Requires the California Air Resources Board (CARB) to prepare a scoping plan for achieving the maximum technologically feasible and cost-effective reductions in greenhouse gas (GHG) emissions by specified dates. Existing law requires CARB to update the scoping plan every five years. (Health and Safety Code §38561)
- 3) Establishes the Renewable Portfolio Standard (RPS) program and establishes a goal of procuring at least 60 percent of total retail sales of electricity from renewable energy resources by December 31, 2030, with specified benchmarks up to that date. Existing law requires the California Public Utilities Commission (CPUC) to oversee electrical corporations’ compliance with renewable energy procurement mandates and requires the California Energy Commission (CEC) to oversee publicly owned electric utility renewable energy procurement compliance. (Public Utilities Code §399.11 et. seq.)

- 4) Establishes the resource adequacy (RA) framework by requiring the CPUC to work with the California Independent System Operator (CAISO) to establish RA requirements for all load serving entities. Requires the CPUC to establish these RA requirements in a manner that ensures the reliability of electrical service in the state while advancing the state's clean energy and climate goals. (Public Utilities Code §380 et. seq.)

This bill:

- 1) Defines a “regional next generation battery hub program” as loans or other financing offered by the federal Department of Energy (DOE) Loan Programs Office, the federal advanced manufacturing production credit, the federal advanced energy project credit, or other funding relevant for next generation battery manufacturing that will help achieve California's emissions reduction goals.
- 2) Authorizes GO-Biz to consult with stakeholders and take steps to prepare and submit an application to receive funding from next generation battery hub programs.
- 3) Specifies that grants made the regional next generation battery hub programs must support projects in California, including, but not limited to projects in the San Francisco Bay Area and the Sacramento Valley. This bill specifies that grants issued by the hub must advance progress toward RA goals and emissions reduction targets identified by CARB in the scoping plan.
- 4) Requires grants made by the hub to prioritize projects that do any of the following:
 - a) Help reduce costs and increase access to next generation batteries.
 - b) Advance state GHG emissions reduction goals.
 - c) Maximize socioeconomic, workforce, equity, air quality, and health benefits.
- 5) Establishes labor standards for grants issued by the hub by requiring any partnerships that apply for funding under this bill to first adopt a community benefits plan that includes all of the following:

- a) The use of project labor agreements (PLAs) for all construction and maintenance work that ensure payment of prevailing wages and benefits and use of a skilled and trained workforce.
 - b) Requirements for operations and manufacturing work that include labor peace policies and the payment of family-supporting wages and benefits.
 - c) Hiring and training priority for local workers, veterans, tribal members, workers from underrepresented groups, and disadvantaged workers.
 - d) Accountability requirements to ensure that goals for job quality, training, and outreach are achieved.
- 6) Requires GO-Biz to submit a report to the relevant legislative budget and policy committees by March 1, 2030, and annually thereafter until March 1, 2043, regarding the status of any partnership developed pursuant to this bill.
- 7) Sunsets the bill on January 1, 2030.

Background

Bill aims to incentivize development of next generation battery technologies. Further developing energy storage resources is necessary to meeting California's emissions reduction goals from multiple sectors, including the electricity and transportation sectors. Developing batteries for the transportation sector that will improve the range of vehicles and lower costs for batteries can support greater electric vehicle adoption. Multiple studies have indicated that in order to meet deeper decarbonization goals in the electricity sector, the state needs to develop new energy resources that can deliver consistent zero-carbon energy at peak demand periods. According to reports by the CEC, California had 6,600 megawatts of battery storage operating at four to six hour durations. The CEC also estimates that more than 48 gigawatts of battery storage and 4 gigawatts of long duration storage will be needed to meet the state's goal of using electricity that is 100 percent zero-carbon by 2045. Several research bodies have already established entities focused on developing new battery technology. For example Lawrence Berkeley National Laboratory (LBNL) has multiple groups developing battery technology, and the lab has established a long-term goal of creating an energy storage hub to develop cost-competitive energy storage to improve renewable electricity generation and improve grid resilience.

Bill is modeled on California's hydrogen hub project, but its funding sources differ. This bill would authorize GO-Biz to form a public-private partnership to

draw down specified federal funds to develop battery technology in-state. This bill establishes labor standards for this public-private partnership and requires investments to meet California's climate and energy reliability goals. While this bill is modeled on legislation authorizing the creation of a hydrogen hub program in California, the funding sources specified in this bill differ from those supporting California's hydrogen hub partnership.

In 2021, President Biden signed the Infrastructure Investment and Jobs Act (IIJA), which included \$8 billion to the federal DOE to establish regional clean hydrogen hubs across the nation. In 2022, the Legislature passed AB 157 (Committee on Budget, Chapter 570, Statutes of 2022), which authorized GO-Biz to take steps to prepare and submit an application to receive funding from the regional clean hydrogen hubs program. This legislation led to the establishment of a public-private partnership, known as the Alliance for Renewable Clean Hydrogen Energy Systems (ARCHES), which has received an award of \$1.2 in IIJA federal monies to develop fossil-free hydrogen production in California.

This bill aims to establish a regional battery hub program based on the ARCHES model. However, the federal government has not provided funding specifically for the creation of the battery hub proposed under this bill. Instead, this bill cites several new and existing federal incentives and funding as resources to fund grants and loans through an in-state hub. Below are the funding sources cited in this bill as resources for supplying grants and loans from the battery hub.

- Department of Energy Loan Program Office (LPO), which provides loans for large-scale energy infrastructure projects.
- The Federal Advanced Manufacturing Production credit (also known as the 45X credit) provides tax credits over time for investments supporting domestic manufacturing of certain clean energy technologies, including certain battery components.
- The Federal Qualifying Advanced Energy Project credit (also known as the 48C credit) provides an up-front credit for certain investments in manufacturing and industrial decarbonization.

While a number of different types of projects may qualify for loans provided by the LPO, the 45X and 48C tax credits were established in the Inflation Reduction Act (IRA) to provide incentives directly for taxpayer investments in certain domestic clean energy and emissions reduction technologies. It is unclear how this bill intends to use federal tax credits to develop in-state grants.

This bill also defines regional next generation battery hub programs in a manner that could be interpreted as adding a layer of state-level requirements to federal tax credits for clean energy development.

From Oakland to Sactown, the Bay Area, and Back Down? While this bill does not limit a battery hub's investment across the state, this bill specifically indicates that the regional hub should support projects in the San Francisco Bay Area and the Sacramento Valley. While these regions may include institutions and investors that are already engaging in next generation battery development, potential investors and project developers may exist elsewhere in the state. To the extent that there are entities in the Bay Area and Sacramento that are already well-positioned to participate in a battery hub, it may not be necessary to specifically identify these areas as potential project locations since they would be likely to participate without a reference in statute. Additionally, this reference may indicate that certain projects in these areas should be privileged over others.

Need for amendments. As currently written, this bill specifically establishes federal production tax credits as financing mechanisms for in-state loans without clarifying how this will be achieved. To the extent that this bill creates legal ambiguity about taxpayers' eligibility for these federal tax credits, this bill could disincentivize the use of these credits within California. This does not appear to be the Author's intent. Additionally, specific references to funding projects in the San Francisco Bay Area and Sacramento Valley are unnecessary for a bill that could fund projects across the state. This bill also establishes a legislative reporting requirement that requires GO-Biz to produce a report after the date on which this bill is repealed. It is unclear how the Legislature would use a report received after this repeal date. *For these reasons, the author and committee may wish to amend this bill to do the following:*

- *Delete references to the federal tax credits and funding for projects in specific geographic locations.*
- *Modify the existing reporting requirement in this bill to require GO-Biz to submit a report to the Legislature regarding the formation of a public-private partnership pursuant to this bill by January 1, 2026.*

Dual Referral. This bill passed out of the Senate Committee on Business, Professions and Economic Development on April 15, 2024 with a vote of 9-1.

Prior/Related Legislation

SB 322 (Becker, 2023) would establish labor preferences that the CEC and any third-party administrator must use when awarding funds for the Zero-Emission

Vehicle (ZEV) Battery Manufacturing Block Grants Program. The bill is currently in the Assembly Appropriations Committee.

AB 157 (Committee on Budget, Chapter 570, Statutes of 2022) authorized GO-Biz to take steps to prepare and submit an application to receive funding from the regional clean hydrogen hubs program or to otherwise participate in the regional clean hydrogen hubs program. The bill also established a definition of clean hydrogen.

SB 589 (Hueso, Chapter 732, Statutes of 2021) expanded the types of projects eligible for funding from the CEC's Clean Transportation Program (CTP) to include projects that develop in-state supply chains and the workforce for raw materials and components needed for ZEV manufacturing. The bill also expanded the groups the CEC must consult as part of CTP workforce development efforts.

AB 1697 (Bonilla, Chapter 446, Statutes of 2016) added prioritization criteria for the CTP to prioritize projects that transition workers to the alternative and renewable fuel and vehicle technology sector. The bill also added criteria for workforce development programs eligible for CTP funding.

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

SUPPORT:

State Building & Construction Trades Council of California, Sponsor
California Mobility Center
CALSTART
Rising Sun Center for Opportunity

OPPOSITION:

Western Electrical Contractors Association

ARGUMENTS IN SUPPORT: According to the author:

Solid-state batteries are a novel battery technology with a greater energy density, making them smaller and lighter than lithium-ion batteries. While solid-state batteries could provide a breakthrough increase in the energy capacity for electric vehicles and (EVs) clean reliability energy, companies are still overcoming barriers to scaling, such as limitations from the cost of production.

California has demonstrated the potential of a public-private partnership by receiving federal and private funding for a state-wide hydrogen hub, hosted by the Governor's Office of Business and Economic Development. Despite the success of this model, Go-Biz doesn't have the authority to establish a new partnership for other clean energy resources that are critical for decreasing up-stream costs of the renewables used to meet the state's clean energy targets.

Given that criteria for US Department of Energy's Loan Programs Office loans prioritize projects matching co-lenders and public sector funding, as well as community benefit agreements and labor standards, it is imperative California builds the state support, ensuring we do not leave federal lower-interest loans for clean energy manufacturing on the table.

This bill prioritizes California's role in establishing next generation batteries by authorizing Go-Biz to develop a public-private partnership of labor, private-sector manufacturers and investors, and community partners to develop the plan for a regional Bay Area and Northern San Joaquin Valley battery manufacturing hub developing and researching next-generation solid-state battery technology.

This bill provides the potential to support California's EV and clean energy transition supporting High Road jobs and community benefits.

ARGUMENTS IN OPPOSITION: In opposition, the Western Electrical Contractors Association (WECA) states:

Unfortunately, the bill mandates "the use of project labor agreements for all construction and maintenance work that ensure payment of prevailing wages and benefits and the use of a skilled and trained workforce." As I am sure you are aware, all public works construction requires the payment of prevailing wages and there is no need for a PLA to "ensure payment of prevailing wages and benefits."

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