

SEC. 13. Chapter 7.4 (commencing with Section 25640) is added to Division 15 of the Public Resources Code, to read:

Chapter 7.4. Clean Energy Programs

Article 1. General Provision

25640. The chapter only applies to all of the following programs and funding resources administered by the commission:

- (a) The Industrial Decarbonization Program established pursuant to Section 25642.1.
- (b) The Food Production Investment Program established pursuant to Section 25643.1.
- (c) The Long Duration Energy Storage Program established pursuant to Section 25644.1.
- (d) The Green Hydrogen Program established pursuant to Section 25645.1
- (e) The Equitable Building Decarbonization Program established pursuant to Section 25646.1.
- (f) A program to support offshore wind infrastructure improvements established pursuant to Section 25647.1
- (g) To support the Commission's requirements in Chapter 14 of the Public Resources Code related to Offshore Wind Generation sections 25991 – 25991.8.

25640.5. (a) "Commission" means the California Energy Commission

(b) For purposes of this chapter, "under-resourced community" has the same meaning as set forth in Section 71130.

25641. (a) In implementing the programs established pursuant to this chapter, the commission may do all of the following:

- (1) In addition to any other authorized method, issue contracts, grants, loans, incentives, rebates, block grants, and other appropriate funding mechanisms.
- (2) Notwithstanding any other law, noncompetitively award these funds via an amendment or new agreement to recipients of contracts and grants from California government entities or a federal agency if the project has received funding for the original project through a competitive bid process from a California government entity or federal agency, and if the project is consistent with the stated goals and criteria of the relevant program described in this chapter.
- (3) Notwithstanding any other law, in its discretion, advance up to 25 percent of the funds awarded pursuant to this section.
- (4) Make awards for technical assistance, including but not limited to help with outreach to eligible industries, to identify promising technologies, to assess market conditions needed to accelerate commercial traction of the technology, to assist with technical review of proposals and deliverables, and for benefits analysis. The commission may contract for, or through interagency agreement obtain, technical, scientific, or administrative services or expertise from one or more entities, to support the program.
- (5) The commission may adopt guidelines or other standards at a business meeting for the programs. The Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) does not apply to guidelines or other standards adopted by the commission pursuant to this chapter.

(6) Except for adopting guidelines, rules, or regulations at a business meeting, the Commission may delegate any authority and decision relative to these appropriated funds to its Executive Director or the Executive Director's designee.

(7) The commission may award funding at a business meeting for projects that meet the requirements of paragraph (3).

(8) The Commission may award these appropriated funds on a non-competitive basis without restriction to a government entity, national laboratory or entity contracted by the federal government to operate a national laboratory, or foundation established to serve a University of California or California State University. The Commission may award these appropriated funds on a noncompetitive basis to any other entity when the cost to the state is reasonable, and the Commission makes any of the following determinations:

(A) The expertise, service, or product is unique.

(B) A competitive solicitation would frustrate obtaining necessary information, goods, or services in a timely manner.

(C) The award funds the next phase of a multi-phased project, and the competitively awarded agreement is being satisfactorily performed.

(D) When it is determined by the Commission to be in the best interests of the state.

(E) The recipient will use the funds as match funds for federal awards.

(9) Commission agreements shall not require the review, consent, or approval of the Department of General Services or any other state department or agency and do not need to comply with requirements under the State Contracting Manual, the Public Contract Code, or the personal services contracting requirements of Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code.

Article 2. Industrial Decarbonization Program

25642. For purposes of this article, the following definitions apply:

(a) "Eligible industrial facility" includes, but is not limited to, a facility involved with manufacturing, production, and processing of materials, such as chemicals, metals, food and beverages, and nonmetallic minerals, including cement, glass, and pharmaceuticals, and related support facilities.

(b) "Eligible project" includes electrification of natural gas or other fossil fuel using processes, incorporation of photovoltaics, energy storage, or other renewable energy sources, energy efficiency, and development and deployment of other decarbonization strategies, such as carbon capture for use in products, such as carbonate mineralization, and carbon curing of concrete to reduce or eliminate emissions of greenhouse gases and not for the purposes of geologic storage. Petroleum and gas production facilities are not eligible.

25642.1. (a) The commission shall establish and administer the Industrial Decarbonization Program to provide grants, financial incentives, loans, and/or technical assistance for the implementation of eligible projects at eligible industrial facilities to accelerate the decarbonization of the industrial sector to reduce emissions of greenhouse gases and achieve the state's clean energy goals.

(b) The commission shall give preference when making awards to projects that maximize the reduction of emissions of greenhouse gases, provide significant benefits to the electrical grid, reduce air pollution in under-resourced communities, or provide other

co-benefits to under-resourced communities, such as workforce development, job creation, or energy and water savings.

(c) The commission shall consult with the State Air Resources Board to ensure funded projects reduce greenhouse gases in meeting the state's greenhouse gas reduction targets to the extent feasible under the regulatory programs of the Board.

(d) Projects that receive funding under this article are ineligible for funding under the Food Production Investment Program (Article 3 commencing with Section 25643).

25642.2. Grants provided under the program may be used for the purchase and deployment of advanced technologies and equipment or to develop and deploy novel decarbonization technologies and strategies for the industrial sector.

Article 3. Food Production Investment Program

25643. For purposes of this article, the following definitions apply:

(a) "Eligible facility" includes, but is not limited to, a facility that is directly involved in food production and processing and related support facilities.

(b) "Eligible project" includes, but is not limited to, electrification of natural gas or other fossil fuel using processes, incorporation of photovoltaics, energy storage, or other renewable energy sources, energy efficiency, and development and deployment of other decarbonization strategies.

25643.1. (a) The commission shall establish and administer the Food Production Investment Program to provide grants, financial incentive, loans and/or technical assistances for the implementation of eligible projects to accelerate the adoption of advanced energy technologies and other decarbonization technologies at eligible facilities to reduce the emissions of greenhouse gases from those facilities.

(b) When making awards, the commission shall give preference to projects that do some or all of the following:

(1) Maximize the reduction of emissions of greenhouse gases.

(2) Provide significant benefits to the electrical grid.

(3) Reduce air pollution in under-resourced communities.

(4) Provide other co-benefits to under-resourced communities, such as workforce development, job creation, or energy and water savings.

(c) The commission shall consult with the State Air Resources Board to ensure funded projects reduce greenhouse gases in meeting the state's greenhouse gas reduction targets to the extent feasible under the regulatory programs of the Board.

(d) Projects that receive funding under this article are ineligible for funding under the Industrial Decarbonization Program (Article 2 commencing with Section 25642).

25643.2. Grants provided under the program may be used for the purchase and deployment of advanced technologies and equipment or to develop and deploy novel decarbonization technologies and strategies at eligible facilities.

Article 4. Long-Duration Energy Storage Program

25644. For purposes of this article, the following definitions apply:

(a) "Eligible storage facility" means an energy storage system that is interconnected to the electrical grid in California or a California balancing authority.

(b) (1) "Eligible project" includes, but is not limited to, an eligible storage facility that is any of the following:

(A) Compressed air and liquid air technologies.

(B) Flow batteries, advanced chemistry batteries, and mechanical energy storage.

(C) Thermal storage and aqueous battery systems.

(D) Hydrogen demonstration projects.

(2) "Eligible project" does not include a pumped storage project or lithium-ion-based storage technology.

(c) "Energy storage system" has the same definition as in Section 2835 of the Public Utilities Code.

25644.1. (a) The commission shall establish and implement the Long-Duration Energy Storage Program to deploy innovative energy storage technologies on the electrical grid to provide critical capacity and grid services by providing financial incentives for eligible projects that have a power rating of at least one megawatt and are capable of reaching a target of at least eight hours of continuous discharge of electricity at that power rating.

(b) In making awards, the commission shall give preference to projects that provide some or all of the following benefits:

(1) Provide increased reliability and resiliency to the electrical grid.

(2) Provide added electrical grid services when the electrical grid is stressed or anticipating pending energy challenges.

(3) Increase the use of renewable energy and lower the impact of climate change on the electrical grid or on connected facilities or communities, including by improving air quality, lowering emissions of greenhouse gases, or providing under-resourced communities with increased reliability and resiliency.

(4) Lower energy costs and provide employment opportunities for residents of under-resourced communities.

(5) Interconnect to the electrical grid and are commercially operational by 2029.

Article 5. Green Hydrogen Program

25645. For purposes of this article, the following definitions apply:

(a) "Direct environmental benefits in the state" means reduction or avoidance of emissions of any air pollutant in the state or the reduction or avoidance of any pollutant that could have an adverse impact on waters of the state.

(b) For this program, green hydrogen is defined as hydrogen that is produced from non-fossil sources.

(c) "Eligible facility" includes, but is not limited to, any of the following:

(1) An operation that can use green hydrogen to replace fossil fuel use.

(2) An operation that provides new options, including, but not limited to, decarbonizing hard to electrify commercial buildings, industrial facilities, agricultural operations, military facilities, and college campuses.

(3) An operation that improves industrial and commercial processes that currently use fossil fuel.

(4) A powerplant that can operate on a mixture of green hydrogen and fossil fuel, such as natural gas.

(5) A facility for the production of green hydrogen.

(d) (1) "Eligible project" means a project for the onsite production or use of green hydrogen and includes, but is not limited to, any of the following:

(A) A project that provides for fuel switching for industrial operations and powerplant operations to systems that can operate on a fuel blended with green hydrogen but have the capability of scaling up to operate on solely hydrogen fuel.

(B) A project that demonstrates the use of green hydrogen for energy storage.

(C) A project that demonstrates the use of green hydrogen technologies to decarbonize hard to electrify operations of military bases, college campuses, commercial buildings, industrial operations, and agricultural operations.

(D) A project that provides for the large-scale production of green hydrogen.

(2) "Eligible project" does not include either of the following:

(A) A project that produces hydrogen using steam reforming of fossil gas.

(B) A project that uses feedstock or eligible renewable energy resources for which offset credits, renewable energy credits, swaps, or other forms of indirect compliance credits are provided.

25645.1. (a) The commission shall establish and administer the Green Hydrogen Program to provide financial incentives to eligible facilities to implement eligible projects to assess the most effective and lowest cost strategies to generate large quantities of, and increase the use of, renewable hydrogen to reduce emissions of greenhouse gases. The commission shall evaluate the efficacy of onsite generation and the use of green hydrogen, and the generation, transportation, and offsite use of green hydrogen in reducing the emissions of greenhouse gases.

(b) The program shall fund eligible projects that produce electrolytic hydrogen for delivery or use in California, and emits zero or de minimis amounts of greenhouse gases on a lifecycle basis. The commission shall consult with the State Air Resources Board to determine eligibility for fuels that projects may use.

(c) Eligible projects shall provide a minimum reduction of emissions of greenhouse gases compared to a baseline year, as determined by the commission, while providing direct environmental benefits in the state.

(d) Hydrogen production supported by this program shall not include hydrogen gas manufactured using steam reforming of fossil gas.

Article 6. Equitable Building Decarbonization Program

25646. For purposes of this article, the following definitions apply:

(a) "Building owner" means an owner of a residential building.

(b) "Direct install" means energy efficiency, decarbonization, and/or load flexible solutions provided directly to consumers at no cost through installation contractors.

(c) "Disadvantaged community" means a community identified as a disadvantaged community pursuant to Section 39711 of the Health and Safety Code.

(d) "Low-to-moderate income" means a household of low or moderate income as defined in Section 50052.5 of the Health and Safety Code.

(e) "Low-carbon building technology" means technologies that reduce direct greenhouse gas emissions at a building.

(f) "Residential dwelling" means either of the following:

(1) A multifamily residential building of at least two housing units.

(2) An individual or single family residence.

(g) "Supplier" means a retailer, distributor, contractor, or an original equipment manufacturer.

(h) "Statewide rebate program" means a first come, first served rebate for specified equipment serving the residents of the state of California.

(i) "Third-party implementer" means a program proposed, designed, implemented, and delivered by non-commission personnel under contract to the commission as program administrator.

25646.1. The commission shall establish and administer the Equitable Building Decarbonization Program.

(a) The commission shall establish and administer a direct install program.

(1) The program shall be no cost to a building owner whose occupants are low-to-moderate income or located in a disadvantaged community and shall encourage resiliency to extreme heat, improve indoor air quality, improve grid stability, and/or reduce greenhouse gas emissions.

(2) Eligible measures shall be highly replicable and include replacement of fossil fuel appliances with efficient electric appliances; energy efficient lighting and lighting controls; building envelope measures such as insulation and air sealing; building infrastructure upgrades; and remediation measures to facilitate the installation of new technologies.

(3) The commission may administer the program through one or more direct install third-party implementers selected through a competitive solicitation process.

(4) Program guidelines may be developed with input from low-to-moderate income and disadvantaged communities' stakeholders and other agencies through public workshops.

(b) The commission shall establish and administer a statewide rebate program for low-carbon building technologies.

(1) The commission shall determine eligible applicants and consider building owners and suppliers of low-carbon building technologies.

(2) The commission may administer the program through one or more third-party implementers selected through a competitive solicitation process.

(3) Eligible measures include, but are not limited to, low-carbon building technologies such as heat pump space and water heaters and other efficient electric technologies.

(4) Program guidelines may be developed with input from stakeholders including, but not limited to, residential dwelling owners, manufacturers, building contractors, utilities, and other agencies through public workshops.

(c) If funds remain unspent after two years, the commission shall evaluate potential changes to the program to increase participation and may make those funds, or a portion of those funds, available for other purposes consistent with the program.

Article 7. Program to Support Offshore Wind Infrastructure Improvements

25647.1. (a) The Commission shall establish and administer a program to support offshore wind infrastructure improvements. Funds shall be used to advance the capabilities of California ports, harbors, and other waterfront facilities to support the

buildout of offshore wind facilities and maximize the economic and environmental benefits of an offshore wind industry in California.

(b) Funds may be administered within three categories:

(1) Category I, the planning and development category, shall support developing individual or regional retrofit concepts and investment plans. Category I activities may include planning, feasibility analysis, business case development, environmental analyses, engineering and design work, and other offshore wind energy related planning and development activities consistent with 25647.1 (a).

(2) Category II, the design category, shall support final design, engineering, environmental studies and review, as well as construction of retrofits. Category II funds may support a range of retrofit activities to support deployment of offshore wind energy, including land expansion for component assembly, staging, and transportation, facility updates such as adding laydown and storage areas, increasing heavy-lift crane weight and height capabilities, and other improvements to support the long-term operation and maintenance of offshore wind generation facilities, and other offshore wind energy related design and development activities consistent with 25647.1 (a).

(3) The Commission may provide Category III cost share funding to eligible applicants that apply to the Commission for Category III funds if they receive a federal award that includes activities consistent with Category I and/or Category II activities.

(c) As the Commission deems appropriate, eligible applicants may include California port authorities, operators, commissions, or their respective authorized agents, other California waterfront facilities, or other entities that demonstrate a commitment to California offshore wind energy investments that are partnered with a California waterfront facility.

(d) The Commission can award these appropriated funds even if part of the project involves preliminary engineering and environmental review work, including taking actions and preparing material to comply with the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) or federal environmental laws.

The Public Resources Code is amended to read:

25403.2.(a) Using the moneys appropriated pursuant to Items 3360-105-0001 and 3360-005-0001 of Section 2.00 of the Budget Act of 2021, the commission shall implement and administer a statewide program to incentivize the construction of new multifamily and single-family market-rate residential buildings as all-electric buildings or with energy storage systems. The commission shall provide a combined incentive if a building is both all electric and has an energy storage system.

(b) The program implemented and administered pursuant to this section shall be known as the Building Initiative for Low-Emissions Development Program Phase 2.

(c) In implementing and administering the Building Initiative for Low-Emissions Development Program Phase 2, the commission shall do all of the following:

(1) Before June 30, 2022, develop and approve program guidelines in a public process.

The Administrative Procedure Act (Chapter 3.5, commencing with Section 11340, of Part 1 of Division 3 of Title 2 of the Government Code) does not apply to the adoption of guidelines pursuant to this section.

(2) Make program applications available within 30 days of the commission approving the guidelines pursuant to paragraph (1).

(3) Ensure, to the extent reasonable, that the program incentivizes the construction of buildings as all electric or with energy storage systems that would not have otherwise been constructed as all electric or with energy storage systems but for the Building Initiative for Low-Emissions Development Program Phase 2.

(4) Ensure, to the extent reasonable, that the program incentivizes the installation of technologies not otherwise required pursuant to the applicable local and state building codes.

(d) A goal of the Building Initiative for Low-Emissions Development Program Phase 2 is to spur significant market adoption of all-electric buildings and energy storage systems.

(e) The commission may pay an incentive upfront if not doing so would inhibit participation in the Building Initiative for Low-Emissions Development Program Phase 2.