

Date of Hearing: April 24, 2024

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

AB 2537 (Addis) – As Amended April 10, 2024

SUBJECT: Energy: offshore wind energy development: Offshore Wind Community Capacity Building Fund Grant Program

SUMMARY: Requires the California Energy Commission (CEC) to establish the Offshore Wind Community Capacity Building Fund Grant for the purpose of building capacity within local communities and tribal communities to support engagement of the process of offshore wind energy development in California.

Specifically, **this bill:**

- 1) Establishes the Community Capacity Building Fund in the State Treasury. The fund upon appropriation of the Legislature shall support the establishment of the Offshore Wind Community Capacity Building Fund Grant Program at the CEC for the purpose of building capacity within local communities and tribal communities to engage in the process of offshore wind energy development in California.
- 2) Prohibits the fund from being used to fulfill the purposes of financial commitments made to fulfill a lessee's bidding credits in a bureau lease sale auction.
- 3) Requires entities eligible for a grant to include, but not be limited to, all of the following entities:
 - a) Local communities located within unspecified miles of the geographic center of a lease tract of applicable proposed or existing offshore wind energy developments, rural communities, coastal zone communities, disadvantaged communities, and low-income communities.
 - b) California tribes, including federally recognized tribes or California Native American tribes, identified on the contact list maintained by the Native American Heritage Commission.
 - c) Nonprofit organizations that represent the interests of local communities or California tribes in relation to offshore wind energy development, if the organization meets specified requirements.
- 4) Requires the CEC to establish a grant application process for the Building Fund Grant Program.
- 5) Requires the grant application process ensures that the allocation of grant moneys is done in an equitable manner that takes into account the needs and capacities of the communities, tribes, and organizations that apply for those grants.

- 6) Requires the CEC, in consultation with local communities, tribes, and other relevant stakeholders to develop guidelines for the use of the grant and also requires the guidelines to be subject to review and amendment every three years.
- 7) Requires the CEC to prepare and submit an annual report to the Legislature, in accordance with Section 9795 of the Government Code, on the implementation and effectiveness of the program. Requires the report to include, but not be limited to, the total amount of grant moneys awarded by the Program, a description of the activities funded by the grant program, and an assessment of the impact of the grant program on the capacity of local communities and tribes to engage in offshore wind energy development.
- 8) Requires Department of Water Resources (DWR) to consider the bidder's impact on the Fund when evaluating the bids received through a solicitation for eligible energy resources.

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 offshore wind (OWE) 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 RPS-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, CARB, 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) Requires, as part of CEQA, a lead agency to prepare, or cause to be prepared, and certify the completion of an environmental impact report on a project that it proposes to carry out or approve that may have a significant effect on the environment or to adopt a negative declaration if it finds that the project will not have that effect. CEQA also requires a lead agency to prepare a mitigated negative declaration for a project that may have a significant effect on the environment if revisions in the project would avoid or mitigate that effect and there is no substantial evidence that the project, as revised, would have a significant effect on the environment. (Public Resources Code § 21000 et seq.)
- 4) Establishes the Voluntary Offshore Wind and Coastal Resources Protection Program (Voluntary Program) and Voluntary Offshore Wind and Coastal Resources Protection Fund (Voluntary Fund), administered by the CEC to support state activities that complement and are in furtherance of federal laws related to the development of offshore wind facilities. Requires the CEC to award and allocate moneys under the Voluntary Program for various purposes. Authorizes the CEC to accept federal and private funding

for the purposes of the Voluntary Program. (Public Resources Code § 25992.10 and § 25992.20)

- 5) 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)

FISCAL EFFECT: Unknown. This bill is keyed fiscal and will be referred to the Committee on Appropriations for its review.

BACKGROUND:

California's Ambitious Goals & SB 100's Joint Agency Report – SB 100 (De León, Chapter 312, Statutes of 2018) established the state policy that renewable and zero-carbon resources should supply 100% of retail sales and electricity procured in the state by 2045.¹ This policy was recently updated under SB 1020 (Laird, Chapter 361, Statutes of 2022) which accelerated the requirement on state agencies to 100% by 2035, and established interim targets to meet the economy-wide 100% goal. To meet these goals, California will need to significantly increase the deployment of clean energy resources. As such, offshore wind energy is emerging as a promising source of renewable energy generation to support the California's ambitious climate, clean-energy, and grid-reliability goals.

In March 2021, the CEC, California Public Utilities Commission (CPUC), and California Air Resources Board (CARB) released the first SB 100 report, and offshore wind energy was modelled 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 offshore wind energy online given the current California Independent System Operator (CAISO) interconnection queue and resource development needs of offshore wind energy.² 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.”³ The subsequent report is due by 2025.

Offshore Wind Energy Technologies – Offshore wind energy technology designs fall into two main categories: fixed and floating. Most fixed turbines are anchored to the seabed through a solid monopile, tripod, or jacket.⁴ These designs prevent machines from moving significantly in response to wave or wind pressures. Fixed foundations typically have a maximum usable water depth of 50 meters to 60 meters; beyond this depth, fixed wind designs are not economically or

¹ Public Utilities Code §454.53

² Pg. 41; *Inputs & Assumptions: CEC SB 100 Joint Agency Report*; June 2020.

³ Pg. 1, CEC, CPUC, & CARB; *2021 SB 100 Joint Agency Report: Achieving 100 Percent Clean Electricity in California: An Initial Assessment*,” March 2021.

⁴ Solid monopile foundations are piles driven into the subsurface for stability. Jacket and tripod platforms involve three to four connection points with the subsurface.

technically feasible. Floating platforms unlock offshore wind access in ocean waters with depths greater than 60 meters.⁵

Offshore Wind in California – Although California has no offshore wind generation currently, the National Renewable Energy Laboratory has identified 112 GW⁶ of offshore wind technical potential⁷ for California. However, approximately 96% of this potential is located in water deeper than 60 meters, where the mature, fixed-bottom turbine technology is not technically feasible.⁸ Off the coast of California, a steep continental shelf and increased wind speeds combine to make floating turbines the primary technically feasible option. Nearly all project proposals in the United States are for fixed foundation projects sited in federal waters – which start three nautical miles from shore out to 200 nautical miles – and fall under the jurisdiction of the federal Bureau of Ocean Energy Management (BOEM). In December 2022, BOEM’s awarded five existing offshore wind leases in California two in northern California off Humboldt County, and three in Central California near Morro Bay.⁹

Offshore wind 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 offshore wind energy development in federal waters off the California coast. In January 2024, the CEC released the strategic plan, which are guided by three AB 525 interim reports:¹⁰

- The first report evaluated and quantified the maximum feasible capacity of offshore wind to achieve reliability, ratepayer, employment, and decarbonization benefits and established aspirational planning goals of 2 to 5 gigawatts (GW) for 2030 and 25 GW for 2045.¹¹
- The second report provided a preliminary assessment of the economic benefits of offshore wind as they relate to seaport investments and workforce development needs and standards.
- The third report described permitting roadmap options that included time frames and milestones for a coordinated, comprehensive, and efficient permitting process for offshore wind energy facilities and associated electricity and transmission infrastructure off the coast of California.¹²

The strategic plan also discusses the impacts and strategies to address those impacts in California’s underserved communities.

⁵ Pg. 11; “CEC, “Research and Development Opportunities for Offshore Wind Energy in California.” CEC-500-2020-053; August 2020

⁶ Pg. 1; Ibid

⁷ “Technical potential” is defined as the amount of offshore wind capacity that could be developed while taking into account exclusion factors related to water depth, mean wind speed, industry uses, and environmental conflicts.

⁸ Pg. 7; CEC *Research and Development Opportunities for Offshore Wind Energy in California*; CEC-500-2020-053; August 2020.

⁹ BOEM. “BOEM Announces Environmental Review of Future Development of California Offshore Wind Leases.” <https://www.boem.gov/newsroom/press-releases/boem-announces-environmental-review-future-development-california-offshore>

¹⁰ Pg. 1; California Energy Commission, “California Energy Commission Draft Commission Report”. January 2024

¹¹ Flint et al; *Offshore Wind Energy Development in Federal Waters Offshore the California Coast: Maximum Feasible Capacity and Megawatt Planning Goals for 2030 and 2045*. August 2022.

¹² Pg. 1; California Energy Commission, “California Energy Commission Draft Commission Report”. January 2024

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 offshore wind energy development. For California Native Tribes:¹³

- 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 offshore wind 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 offshore wind 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 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. Offshore wind 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.¹⁴ Advocates would like to see increased engagement with potentially impacted communities. As such, strategies to address these impacts include and not limited to conducting early and meaningful community outreach and engagement efforts throughout the offshore wind planning and development process.¹⁵

Working Group – Among other requirements, SB 286 (McGuire, Chapter 386, Statutes of 2023), establishes the California Offshore Wind Energy Fisheries Working Group (Working Group). This group includes representatives from the relevant permitting and resource agencies,

¹³ Pg 11-13, CEC; “California Energy Commission Draft Commission Report.” January 2024

¹⁴ Pg 16, CEC; “California Energy Commission Draft Commission Report.” January 2024

¹⁵ Ibid

commercial and recreational fishing industries, offshore wind 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 offshore wind 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 offshore wind 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 offshore wind 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.

Existing Funds – 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 offshore wind 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. No donations or other deposits have yet been made into the Voluntary Fund. However, the process may still be considered early, and federal dollars are likely on the way.

Central Procurement Entity – AB 1373 (Garcia, Chapter 367, Statutes of 2023) authorized the Department of Water Resources (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. Offshore wind may qualify for such procurement. Furthermore, AB 1373 requires 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 has until September 1, 2024 to determine if there is a need for procurement of these eligible energy resources.

COMMENTS:

- 1) *Author’s statement.* According to the author, “AB 2537 will establish the Local and Tribal Communities Offshore Wind Capacity Building Fund, which will enhance the ability of tribes and local communities to actively participate in the offshore wind development process, including project planning and development. This will empower local governments and tribes to engage in the next chapter of California’s renewable energy leadership.”

- 2) *Purpose of the bill.* The offshore wind industry could present an opportunity to create job growth and economic development particularly for communities that are located close to the offshore wind resource. However, the potential impacts on commercial and recreational fishers, California Native American tribes, environmental justice communities, and other stakeholders is yet to be clearly understood. As such, the author contends that providing funding for capacity building for these communities could be a way for these communities to take a proactive approach in the planning, permitting, development, and mitigation of offshore wind development.
- 3) *Funding for the Capacity Building.* This bill creates the Offshore Wind Community Capacity Building Fund at the State Treasury. This fund will support the creation of the Capacity Building Fund Grant Program at the CEC for purposes of providing grants to build capacity within local communities and tribal communities to engage in the process of offshore wind energy development. This bill links the new Capacity Building Fund to the central procurement entity process under AB 1373. As eluded earlier, the CPUC has yet to determine if there is a need for procurement of these eligible energy resources. The CPUC has until September 1, 2024 to decide. Additional requirements to AB 1373, such as those provided by this bill, may delay the CPUC's decision. *As such, the committee recommends deleting section 2 of this bill that is related to the central procurement process.*
- 4) *Existing Grant Process.* As noted in the background, under the Voluntary Offshore Wind and Coastal Resources Protection Program the CEC can provide grants to public and private entities, including state agencies, tribal entities, local governmental agencies, research institutions, and nonprofit entities. *Given the existing grant process, the committee recommends the new capacity building grants that this bill seeks for local communities and California tribes be included in the Voluntary Offshore Wind and Coastal Resources Protection Program at the CEC. Eligible applicants for these grants shall include and not be limited to local communities, California Tribes, or non-profit organizations selected by California Tribes.*
- 5) *Guidelines for Grant Awards.* Given that this new capacity building grants process will be administered by the CEC, *the committee recommends that the CEC, in consultation with local communities, tribes, and other relevant stakeholders, shall develop guidelines for the award of these grants. The guidelines shall be subject to review and amendment every three years.*
- 6) *Financial Obligation for Offshore Leaseholders.* As eluded earlier, The CEC provides grants to public and private entities, including state agencies, tribal entities, local governmental agencies, research institutions, and nonprofit entities. The CEC also accepts donations from private and federal sources. No donations or other deposits have yet been made into this fund. *As such the committee recommends California offshore wind leaseholders shall provide financial assistance to support capacity building grants for the purposes provided by this bill.*
- 7) *Transparency and Accountability.* Reporting of funding activities at the CEC serves as an important step in evaluating whether these grants are operating efficiently, effectively, and equitably. Such information is important for improving program implementation and informing forthcoming legislative funding and policy decisions. *As such the committee*

recommends the CEC prepare and submit an annual report to the Legislature of the funding activities that includes grant making and direct assistance by leaseholders to local communities, or tribes.

- 8) *Clarification.* The Bureau of Ocean Energy Management (BOEM) considers a combination of a monetary bid and bidding credits in determining the outcome of the auction. To qualify for the bidding credit, the bidder must commit to make a qualifying monetary contribution to programs or initiatives, as specified by BOEM requirements. The financial contribution for grants for the purposes of capacity building as provided by this bill does not count towards BOEM requirements. *As such, the committee recommends amendments to clarify that the requirements of this bill shall not be used to fulfill the purposes of financial commitments made to fulfill a lessee's bidding credits in a bureau lease sale auction.*

- 9) *Related Legislation.*

AB 2212 (Lowenthal) enacts the Offshore Wind Workforce Safety Training Facility Development Act and requires the CEC to oversee the allocation and use of funds allocated for the development of training facilities and to develop standardized training curricula tailored to the specific needs of the offshore wind industry. Status: This bill is *pending hearing* in this committee.

AB 3006 (Zbur) requires the annual California infrastructure plan to include, and an assessment of funding needs for port infrastructure for offshore wind energy development beginning in the 2026-2027 fiscal year. Status: This bill is *pending hearing* in the Assembly Committee on Appropriations.

AB 2208 (Zbur) enacts the California Ports Development and Offshore Wind Infrastructure Bond Act of 2024, to authorize \$1 billion in general obligation (GO) bonds for offshore wind energy. Authorizes the bond act for the November 5, 2024, general election. Status: This bill was *pending hearing* in this committee but the hearing was cancelled at the request of the author.

- 10) *Prior Legislation*

AB 3 (Zbur) requires the CEC to develop a plan for seaport readiness for offshore wind energy developments by December 31, 2026, and to conduct a study on the feasibility of achieving specified in-state assembly and manufacturing goals, as well as federal domestic content thresholds, in the development of offshore wind energy by December 31, 2027. Chapter 314, Statutes of 2023.

AB 80 (Addis), would have required the Ocean Protection Council, upon an appropriation by the Legislature, to establish and oversee a West Coast Offshore Wind Science Entity to ensure that comprehensive baseline assessments and ongoing monitoring data related to the California ocean ecosystem are available to inform state and federal decision-making. Status: Held in Assembly Committee on Appropriations.

AB 1373 (Garcia), among other provisions, establishes the Offshore Wind Workforce Development Fund in the State Treasury, for which monies may be used upon legislative appropriation to award grants for educating, training, maintaining, and strengthening the

workforce needed for offshore wind energy development. Status: Chapter 367, Statutes of 2023.

SB 286 (McGuire) establishes the California Offshore Wind Energy Fisheries Working Group to address offshore wind project impacts to certain fisheries and other interests, including providing for compensation to those affected, among other things. . Status: Chapter 386, Statutes of 2023.

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

SB 1020 (Laird) establishes interim targets for the statewide 100% clean energy policy. Additionally requires state agencies to accelerate their 100% clean energy policy goal by 10 years. Status: Chapter 361, Statutes of 2022.

AB 525 (Chiu) required the CEC to establish, by June 1, 2022, planning goals for the years 2030 and 2045 from electricity generated by OWE. The bill also requires the CEC, in coordination with specified agencies, to develop a strategic plan for OWE developments and to submit the plan to the Natural Resources Agency and the Legislature by June 30, 2023. Status: Chapter 231, Statutes of 2021.

SB 100 (De León, Chapter 312, Statutes of 2018) established the 100% Clean Energy Act of 2017 which increases the Renewables Portfolio Standards (RPS) requirement from 50% by 2030 to 60%, 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% clean energy. Status: Chapter 312, Statutes of 2018.

11) *Double Referral*. This bill was previously heard in the Assembly Committee on Natural Resources on April 22nd, 2024, where it passed 10-0-1.

REGISTERED SUPPORT / OPPOSITION:

Support

350 Humboldt: Grass Roots Climate Action
350 Sacramento
Brightline Defense Project
City of Morro Bay
Climate Action California
Elected Officials to Protect America - California
Environment California
Environmental Information Protection Center
Hcvb
Monterey Bay Aquarium Foundation
Natural Resources Defense Council
Peninsula Community Collaborative
Redwood Community Action Agency

Union of Concerned Scientists
Usc Schwarzenegger Institute

Opposition

None on file.

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