Date of Hearing: July 9, 2025

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
SB 787 (McNerney) – As Amended June 26, 2025

SENATE VOTE: 28-10

SUBJECT: Energy: equitable clean energy supply chains and industrial policy in California

SUMMARY: Requires specified state agencies to enter into a memorandum of understanding (MOU) to carry out certain duties to develop equitable clean energy supply chains in California. Additionally, establishes the Equitable Clean Energy Supply Chain and Industrial Policy Fund in the State Treasury and requires the California Energy Commission (CEC) to designate a Senior Counselor on Industrial Policy and Clean Energy Development. Specifically, **this bill**:

1) Requires the CEC to designate a person within the agency to serve as the Senior Counselor on Industrial Policy and Clean Energy Development by March 1, 2026. Among other duties as specified, the Senior Counselor shall:

    a) Collect data relevant to the development of the strategic industries.
    b) Coordinate relevant industries to develop a synergistic, integrated and decarbonization ecosystem in California and identify priority industry segments for integrated in-state industry growth.
    c) Serve as a single point of contact between state agencies and in strategic industries in California that are interested in siting, expanding or retaining production facilities in California.
    d) Convene public meetings at which state agencies discuss their ongoing and planned work in the strategic industries.
    e) Convene working groups on specified issues, including home vehicle and grid-scale batteries, battery recycling offshore wind, and building decarbonization.

2) Requires the following agencies to enter into an MOU by March 1, 2026 to carry out certain duties to support the development of equitable clean energy supply chains and industrial policy:

    a) CEC
    b) GO-Biz
    c) Secretary of Labor
    d) CPUC
    e) DWR
    f) Department of General Services (DGS)
    g) Office of the Treasurer

3) Requires the MOU to do the following:

    a) Survey public and private spending for the electric vehicle and battery supply chain industries, offshore wind industry, building decarbonization and heat pump industries, and provide recommendations on strategies to maximize the impact of

state funds in strategically developing vertically and horizontally integrated in-state supply chains.

b) Identify how to best coordinate specified activities, including industry incentives, workforce standards relating to zero-emission vehicles and battery supply chain industries, offshore wind and offshore wind component industries, and building decarbonization and heat pump industries with relevant state, federal, and local agencies.

c) Identify the need for additional research to fulfill long-term goals of strategic industries—including zero-emission vehicles, battery supply chains, offshore wind, building decarbonization, and heat pumps.

4) Requires the Senior Counselor on Industrial Policy and Clean Energy Development to report annually on activities undertaken pursuant to the MOU, and directs the CEC to publish the Senior Counselor's annual report on its website.

EXISTING LAW:

1) Establishes the policy that all of the state's retail electricity be supplied with a mix of Renewables Portfolio Standard (RPS)-eligible and zero-carbon resources by December 31, 2045, for a total of 100% clean energy. Requires the California Public Utilities Commission (CPUC), in consultation with the California Energy Commission (CEC), California Air Resources Board (CARB), and all California balancing authorities, to issue a joint report to the Legislature by January 1, 2021, reviewing and evaluating the 100%clean energy policy, and every four years thereafter. (Public Utilities Code § 454.53)

2) Requires the CEC to adopt a biennial integrated energy policy report that provides an overview of major energy trends and issues in California, including energy supply, demand, pricing, reliability, efficiency, and related impacts on public health and safety, the economy, natural resources, and the environment. (Public Utilities Code § 25302)

3) Establishes the CEC, consisting of five members appointed by the Governor, and specifies the duties of the CEC. Every two years, the Governor must designate a chair and vice chair from the CEC's membership. The CEC must appoint a public adviser every three years to carry out certain public engagement duties. (Public Resources Code § 25200 et. seq.)

4) Requires the CEC to assess trends in energy consumption and analyze the social, economic, and environmental consequences of these trends. The CEC must establish energy conservation measures, including building and appliance energy efficiency standards, and recommend additional conservation measures to the Governor and the Legislature. (Public Resources Code § 25216)

5) Establishes the Strategic Reliability Reserve to fund the development of new energy resources that ensure electrical grid reliability and support the state's transition to cleaner energy resources. Existing law requires the CEC to administer the following two programs under the Strategic Reliability Reserve:

a) The Demand Side Grid Support (DSGS) program provides incentives to support customer load reduction and backup generation to support the grid during extreme events.

b) Distributed Electricity Backup Assets (DEBA) programs, which incentivize the deployment of distributed energy resources that can help provide emergency supply or load reduction in response to grid events. (Public Resources Code §25790 et. seq.)

6) Requires the CEC to create a strategic plan for developing offshore wind resources, as specified. Existing law also requires the CEC to provide an estimate by June 1, 2022 on the maximum feasible capacity of offshore wind to achieve reliability, ratepayer, employment, and decarbonization benefits. This estimate must include megawatt offshore wind planning goals for 2030 and 2045. Existing law establishes criteria the CEC must consider when creating these megawatt goals, including, but not limited to the potential to attract supply-chain manufacturing for offshore wind components in the Pacific region. (Public Resources Code § 25991)

FISCAL EFFECT: According to the Senate Committee on Appropriations, the CEC estimates ongoing costs of approximately $1.1 million for two positions and contract support to implement this legislation. Additionally, the measure may also result in unknown, potentially significant ongoing costs for other state agencies to implement the required MOU.

CUSTOMER COST IMPACTS: Unknown.

BACKGROUND:

California's Climate and Energy Goals — AB 32 (Nunez, Chapter 488, Statutes of 2006), also known as the California Global Warming Solutions Act of 2006, directed CARB to develop a Scoping Plan outlining the state's strategy to reduce greenhouse gas (GHG) emissions to 1990 levels by 2020. California met the AB 32 target—ahead of schedule in 2016. This policy has since been updated by SB 32 (Pavley, Chapter 249, Statutes of 2016), which requires statewide GHG emissions to be reduced to 40% below the 1990 level by 2030. For the electricity sector, the Scoping Plan establishes a target range for the sector's GHG emission reductions that reflects its relative role in achieving the economy wide GHG reductions. The updated Scoping Plan released by CARB in December 2022 sets decreasing electricity sector targets to achieve carbon neutrality by 2045.[1] Reaching these goals requires coordinated GHG reductions across major pillars of the economy.

Offshore Wind—Solar energy has been the dominant source of California's renewable energy resources, accounting for nearly 20%[2] of the state's electricity supply. However, as solar generation increases in California, the mismatch between when it is generated and when it is needed poses challenges for grid stability and operation. According to the CEC, Offshore Wind

[1] Public Utilities Code §454.53
[2] 61% = 39.4% from renewables (solar, wind, geothermal, biomass, small hydro) + 10.8% from large hydro + 10.7% from nuclear. CEC; "Clean Energy Serving California"; https://www.energy.ca.gov/programs-and-topics/topics/renewableenergy/clean-energy-serving-California

(OSW) has the potential to produce electricity during periods when solar production declines. In 2021, the Legislature passed AB 525 (Chiu, Chapter 231, Statutes of 2021), which requires the CEC in coordination with federal, state, and local agencies, California Native American tribes, and a variety of other stakeholders, to develop a strategic plan for OSW development in federal waters off the California Coast. In July 2024, the CEC adopted a comprehensive strategic plan to guide the development of OSW and help reach the 2045 carbon neutrality goal.[3]

Building Decarbonization. According to CARB, residential and commercial buildings are responsible for roughly 25% of California's GHG emissions. In 2018, AB 3232 (Friedman, Chapter 373, Statutes of 2018) directed the CEC in consultation with the CPUC and other state agencies to assess the feasibility of reducing GHG emissions from buildings to 40% below 1990 levels by 2030. The resulting assessment, published in 2021, provided a framework for addressing the key challenges in decarbonizing the building sector. However, the report also acknowledged significant barriers, including limited consumer awareness and financing availability.

Electric Vehicle Policies— California's transportation sector is currently the largest source of GHG emissions in the state. According to CARB, direct emissions from transportation sources—including on-road vehicles, intrastate aviation, rail, and other modes—account for 37% of California's total GHG emissions.[4] Recognizing the need to reduce emissions, Governor Newsom issued Executive Order N-79-20 in September 2020, directing that 100% of new in-state passenger car and truck sales be zero-emission by 2035. California is advancing several efforts to support this transition, including electric vehicle purchase incentives, investments in charging infrastructure, utility-led electrification programs, and regulatory actions led by CARB and the CEC. In parallel, the state is working to strengthen the electric vehicle and battery supply chain industries to meet future demand for zero-emission vehicles, expand in-state manufacturing, and create high-quality clean energy jobs. These efforts include lithium extraction and processing at the Salton Sea—an emerging resource that could play a key role in domestic battery production while generating economic opportunities in nearby communities.

According to an analysis by the Department of Energy's Lawrence Berkeley National Laboratory, the Salton Sea region could hold more than 3,400 kilotons of lithium—enough to support the production of over 375 million electric vehicle batteries. In recent years, several companies have begun piloting technologies to extract lithium directly from geothermal brines, providing a cleaner alternative to traditional mining methods. As global demand for lithium accelerates, tapping into this domestic resource presents a strategic opportunity to reduce import dependence and advance California's position within the clean energy supply chain.

COMMENTS:

1) *Author's Statement*. According to the author, "California has ambitious goals for building a green economy that accelerates affordable clean energy growth and provides quality jobs for its citizens. The state has made tremendous progress in clean energy innovation and installation. However, the state lacks a comprehensive, all-of-government approach to

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[3] CEC; "AB 525 Reports: Offshore Renewable Energy"; https://www.energy.ca.gov/data-reports/reports/ab-525-reportsoffshore-renewable-energy; July10, 2024

[4] Pg.30, CARB; "California Greenhouse Gas Emissions for 2000 to 2020 Trends of Emissions and Other Indicators; October 2022; California Greenhouse Gas Emissions for 2000 to 2020 Trends of Emissions and Other Indicators

building out the clean energy supply chain and related workforce, especially in the growing industries of batteries and energy storage, building decarbonization technologies, and offshore wind. SB 787 formalizes partnerships between state agencies, labor, environmental organizations, clean energy industries, and other relevant sectors to coordinate CA's supply chain development goals for these key industries. SB 787 will help the state meet our ambitious clean energy goals affordably for working families while also creating strong family-supporting manufacturing jobs, and advancing economic development goals across every region of the state."

2) *Purpose of Bill.* This bill seeks to strengthen coordinate the state's decarbonization efforts. While progress is underway, deployment of critical energy technologies is yet to occur at the pace required, and opportunities remain to better align in-state demand with high-road job creation in supply chains, particularly for communities that stand to benefit the most. Furthermore, reducing consumer costs—especially for low-income households—could benefit from more coordination across programs, incentives, and market mechanisms. This therefore underscores the need for a unified, strategic, cross-agency approach to planning and investment that supports a broader vision to decarbonize affordably and equitably. To that end, this legislation establishes a formal framework for interagency collaboration through a MOU, focused on advancing strategic technologies, building resilient supply chains, and ensuring California's clean energy transition delivers broad economic and climate benefits statewide.

3) *Uncertainly Remains*. The sectors prioritized by the bill—such as offshore wind, heat pumps, and electric vehicles—are facing reduced federal support and the rollback of key clean energy policies. While California remains committed to its climate and clean energy goals, shifting federal priorities—and the imposition of tariffs on critical technologies and components—may limit opportunities for coordination, and investment. These federal challenges, paired with a constrained state budget, create real uncertainty about how quickly and at what scale these industries could develop. On the other hand, this measure may create an opportunity for the state to take a more proactive role in shaping the direction of these sectors—by establishing priorities, coordinating state-level actions, and anchoring these emerging sectors in policies that drive investment, accelerate deployment, and deliver workforce benefits that are aligned with California's climate and energy goals and equity commitments.

4) *Aligning State Efforts*. While concerns have been raised about potential overlap with existing state programs, this legislation could provide an opportunity to improve coordination and alignment across agencies with shared goals. With multiple agencies already engaged in supporting clean energy, manufacturing, and investment initiatives —particularly in sectors such as offshore wind, zero-emission vehicles, heat pumps, and battery technologies—this bill creates a framework to unify those efforts. By establishing a clear role for the Senior Counselor on Industrial Policy and Clean Energy Development at the CEC, the measure creates a pathway to identify synergies, avoid duplication, and ensure that public investments are directed where they can be most effective. However, a deliberate and collaborative approach to implementation will be key to ensuring the bill complements—rather than competes with—existing state efforts.

5) *Related Legislation.*

SB 86 (McNerney, 2025) would extend and expand tax incentives for green energy manufacturers operating in California. It also includes nuclear fusion manufacturing in the incentive program, aiming to create clean manufacturing energy jobs within the state. Status: Committee on Appropriations

6) *Prior Legislation.*

SB 322 (Becker 2023) would have established requirements for the CEC's administration of the ZEV Battery Manufacturing Block Grant program aimed at encouraging high-road jobs. Specifically, the bill would have established eligibility, scoring, labor, and reporting criteria for the program. The bill died in the Assembly Appropriations Committee.

AB 205, among other provisions, established the Strategic Reliability Reserve and required the CEC to administer the DSGS and DEBA programs to incentivize certain demand-side resources to support electrical grid reliability. Status: Committee on Budget, Chapter 61, Statutes of 2022.

AB 525 required the CEC to create a strategic plan for the development of offshore wind resources and set megawatt planning goals for those resources, as specified. (Chiu, Chapter 231, Statutes of 2021.

SB 589 (Hueso) expanded the types of projects eligible for funding from the 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. Status: Chapter 732, Statutes of 2021.

AB 398 (E. Garcia), among other provisions extending the Cap and Trade program, required the CWDB to submit a report to the Legislature on strategies to help industries, workers, and communities with the transition to cleaner fuels, technologies, and energy resources that support the state's greenhouse gas reduction goals. Status: Chapter 135, Statutes of 2017.

SB 100 (De León) establishes the 100 Percent Clean Energy Act of 2018, which increases the Renewables Portfolio Standard (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. Requires the 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% clean energy policy. Status: Chapter 312, Statutes of 2018.

7) *Double Referral.* This bill is double referred. Upon passage in this committee, it will be referred to the Assembly Committee on Transportation for its review.

REGISTERED SUPPORT / OPPOSITION:

Support

Active San Gabriel Valley
Advanced Energy United
American Wind Energy Association
Bluegreen Alliance

Brightline Defense
Cal Epic
California Environmental Voters (formerly Clcv)
California Federation of Teachers
California Forward
California Green New Deal Coalition
California Labor Federation, Afl-cio
California Labor for Climate Jobs
California State Association of Electrical Workers
California State Council of the Service Employees International Union (seiu California)
California State Pipe Trades Council
Calstart
Caps, UAW Local 1115
Central Coast Alliance United for a Sustainable Economy
Central Coast Labor Council
Ceres, INC.
Comite Civico Del Valle, INC.
E2
Earthworks
Eopa Code Blue
Epic - Environmental Protection Information Center
Gaia
Global Witness
Green Policy Initiative
Greenpeace USA
Imperial Valley Equity & Justice Coalition
Industrious Labs
Jobs to Move America
Mighty Earth
Move California
Nrdc
Plug in America
Port of Long Beach
Public Citizen
Rising Sun Center for Opportunity
Ryvid, INC.
Sheet Metal Workers' Local Union No. 104 (SMART)
Sierra Club California
Spur
Sylvatex, INC.
UAW Region 6
Union of Concerned Scientists
United Steelworkers District 12
Usgbc California
Western States Council Sheet Metal, Air, Rail and Transportation
Working Partnerships USA

Opposition

None on file.

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