

Date of Hearing: April 20, 2022

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Eduardo Garcia, Chair
AB 2204 (Boerner Horvath) – As Introduced February 15, 2022

SUBJECT: Clean energy: Office of Clean Energy Workforce

SUMMARY: Establishes the Office of Clean Energy Workforce (the Office) and the Clean Energy Workforce Board (the Board) to oversee the transition of California's workforce to a carbon neutral economy. Specifically, **this bill:**

- 1) Establishes the Office within the Labor and Workforce Development Agency (LWDA), and mandates that the Office's executive director will be appointed by the Governor with the consent of the Senate.
- 2) Specifies the Office shall:
 - a. Coordinate with LWDA, the California Energy Commission (CEC), the Office of Planning and Research, the California Environmental Protection Agency, the California Natural Resources Agency, the State Lands Commission, the California Geological Survey, the California Public Utilities Commission (CPUC), the California Air Resources Board (CARB), and any other relevant state agency, to track the progress of the state moving to 100% 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, determining what skills will be needed for the workforce over the next 25 years, and establishing ways to address the cost difference between fossil fuel-based job compensation and clean energy job compensation.
 - c. Plan and support fossil fuel-based worker relocation to areas of the state with existing or new clean energy jobs.
 - d. Address and determine standards for early retirement, including, but not limited to buyouts and severance packages; and address pension funding issues. The Office shall coordinate with labor unions and industry employers to address these issues.
 - e. Submit a report to the Legislature by January 1, 2024 on the clean energy transition and the Office's progress in meeting that transition.

- 3) Establishes the Board, and requires the Board to:
 - a. Set the policy priorities of the Office and direct the work of the executive director.
 - b. Approve and allocate funds, upon legislative appropriation, for the administration of the Office, including hiring staff and establishing programs, addressing compensation differences between transitioning workers, supporting worker relocation, supporting earlier retirement, and supporting pension fund shortfalls.
 - c. Seek funding outside of state funds.
 - d. Coordinate with other state agencies and entities.
 - e. Be comprised of seven members: President of the CPUC, Chair of the CEC, Secretary of the LWDA, a representative from the state's pension organization (Governor appointee), two representatives from labor organizations (Speaker of the Assembly appointees), and one representative from the clean energy industry (Senate Committee on Rules appointee).
- 4) Repeals the Office and Board on January 1, 2046.
- 5) Defines "clean energy" as renewable energy resources and zero-carbon resources as described in the state's 100% clean energy policy established under SB 100 (De León, Chapter 312, Statutes of 2018).
- 6) Finds and declares, among other things, that despite the state's greenhouse gas (GHG) reduction achievements, California lacks a robust workforce development strategy to shift to a clean energy economy and transition to a zero-emissions future.

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 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. (Public Utilities Code § 454.53)
- 2) Defines "eligible renewable energy resource" as an electrical generating facility that uses biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells using renewable fuels, small hydroelectric generation of 30 megawatts (MW) or less, digester gas, municipal solid waste conversion, landfill gas, ocean wave, ocean thermal, or tidal current, subject to multiple conditions. (Public Utilities Code § 399.12)
- 3) Establishes the California Global Warming Solutions Act of 2006 (AB 32 (Núñez), Chapter 488, Statutes of 2006), which requires CARB to adopt a statewide 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 ARB to ensure that statewide GHG emissions are reduced to at least 40% below the 1990 level by 2030. (Health and Safety Code §§ 38500-38599.11)

- 4) Establishes 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, and disability insurance and paid family leave. (Government Code §§ 15550-15562)
- 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) Requires the CPUC to approve collection of ratepayer funds to facilitate and support the retirement of the Diablo Canyon Nuclear Power Plant, including funds for an employee retention program and a community impact mitigation program. (Public Utilities Code § 712.7)

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

BACKGROUND:

California's Fossil Fuel Workforce – In June 2021, the Political Economy Research Institute (PERI) released a report showing there are nearly 113,000 people employed in the fossil fuel-based industries in California, amounting to 0.6% of the state's workforce.¹ The total job figure includes oil and gas extraction operations, as well as support activities for all oil and gas projects, and other ancillary sectors, such as fossil fuel-based 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 compensation for fossil-fuel workers is around \$130,000, well above the roughly \$85,000 received by workers in California's current 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.

As California moves to meet its existing climate commitments—to achieve statewide carbon neutrality by 2045²—the oil and gas industries may contract. As a result, investment in an

¹ Pollin, Robert. "A Program for Economic Recovery and Clean Energy Transition in California." Department of Economics and Political Economy Research Institute, June 2021

² Governor's Executive Order B-55-18; Governor Edmund G. Brown, Jr., September 10, 2018.

ongoing relief program to take care of displaced workers, their families, and their communities could prove critical. The PERI report estimates that about 3,200 workers per year will 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.³

COMMENTS:

- 1) *Author's Statement.* 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.”
- 2) *Reports and Recommendations.* In June 2020, following a statutory mandate,⁴ CWDB released *Putting California on the High Road: A Jobs and Climate Action Plan For 2020*.⁵ 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.

In September 2020, the Governor signed Executive Order N-79-20 which directed the state to take a number of actions to combat the climate crisis, including requiring LWDA, and other state agencies, to develop, by July 15, 2021, and expeditiously implement a Just Transition Roadmap, consistent with the recommendations of the CWDB’s report. The Just Transition Roadmap is still forthcoming.⁶

In October 2020, a report on Green Jobs, sponsored by the Building Trades, suggested that the growth in green jobs was unlikely to “replace either the quantity or quality of oil and gas industry jobs.”⁷ The report cited green jobs as providing less pay, requiring

³ Pg.4 Based on the conservative assumption that the oil and natural gas-based industries will contract by only 50% by 2030.; Pollin, Robert. A Program for Economic Recovery and Clean Energy Transition in California. Department of Economics and Political Economy Research Institute (PERI), June 2021.

⁴ AB 398 (E. Garcia, Chapter 135, Statutes of 2017)

⁵ Zabin, Carol. *Putting California on the High Road: A Jobs and Climate Action Plan for 2030*. University of California, Berkeley Center for Labor Research and Education, June 2020.

⁶ Currently targeted for release summer 2022, per Committee conversation with the Governor’s Office of Planning and Research.

⁷ Brad Williams, Captiol Matrix Consulting, “Would Green Jobs Offset Those Lost from a Phase-Out of Oil and Gas Production?” October 2020, *prepared for the State Building and Construction Trades Council of California*.

different skills, and being sensitive to the overall economic health of the state (which is presumed to be depressed under a no-oil scenario).

These reports collectively demonstrate the need for more attention on workforce impacts in meeting our carbon neutrality goals. This bill, in creating an Office and Board solely dedicated to the task of workforce transition, gives the issue the focus it deserves.

- 3) *The Governor's Budget.* The Governor's proposed January 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 CWDA's Low Carbon Economy Workforce grant program.⁸ The author views this bill as building off of these efforts, 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.

- 4) *Related Legislation.*

AB 1966 (Muratsuchi) establishes 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. Status: *pending referral* in the Assembly Committee on Rules.

- 5) *Prior Legislation.*

AB 680 (Burke) established 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 Greenhouse Gas Reduction Fund meet fair and responsible employer standards and provide inclusive procurement policies. Status: Chapter 746, Statutes of 2021

AB 1453 (Muratsuchi, 2021) would have established the Just Transition Advisory Commission in the LWDA until January 1, 2028 and would require it to adopt and submit to the Legislature, by January 1, 2024, a Just Transition Plan that contains recommendations to transition the state's economy to a climate-resilient and low-carbon economy. Status: Died – Assembly Committee on Appropriations.

SB 1090 (Monning) requires the CPUC to approve collection of ratepayer funds to facilitate and support the retirement of the Diablo Canyon Nuclear Power Plant, including

⁸ Pg. 197-198, Governor's Budget Summary – 2022-23; Gavin Newsom, Governor.

funds for an employee retention program and a community impact mitigation program.
Status: Chapter 561, Statutes of 2018.

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, 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.

AB 398 (E. Garcia), among its many provisions, requires 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. Status: Chapter 135, Statutes of 2017.

- 6) *Double Referral*. This bill was previously heard in the Assembly Committee on Labor and Employment on March 30th, 2022, where it passed with a 5-0-1 vote.

REGISTERED SUPPORT / OPPOSITION:

Support

California Environmental Voters (formerly CLCV)

Opposition

None on file.

Analysis Prepared by: Laura Shybut / U. & E. / (916) 319-2083