

ASSEMBLY THIRD READING

AB 1569 (Garcia)

As Amended May 18, 2023

Majority vote

SUMMARY

This bill, upon appropriation of the Legislature, creates the Lithium Valley Office of Development within the California Energy Commission (CEC) and requires the office to, in consultation with relevant state and local agencies, coordinate activities related to funding, economic development, construction, manufacturing, technical development, and reclamation of lithium located in the Salton Sea geothermal resource area.

Major Provisions**COMMENTS**

Lithium Value. Global lithium demand is expected to grow substantially over the next decade, driven largely by increasing demand for lithium-ion batteries in electric vehicles and stationary energy storage. These technologies are key to California's clean energy and transportation goals as the state works to phase out gasoline-powered vehicles and fossil fuel-based electricity. California's transportation sector is currently the largest source of greenhouse gas (GHG) emissions in the state and, in the interest of meeting the state's emissions reduction targets, California has set a goal that 100% of new passenger vehicle sales will be zero-emission vehicles (ZEVs) by 2035. Meeting the state's ZEV goals will require a significant increase in the number of light-, medium-, and heavy-duty ZEVs, which include electric vehicles (EVs), on the road. Surging EV demand has seen lithium prices skyrocket by around 550% in a year. By March 2022, the price of lithium hydroxide exceeded \$65,000 per metric ton, compared with a five-year average of around \$14,500 per metric ton. The increasing demand from a booming EV sector and the rapid increase in market price make lithium both critical to meeting California's climate goals and potentially a highly profitable resource if produced in-state.

Lithium in California. The United States produced approximately 900 metric tons of lithium in 2021, accounting for 1% of global production. California has substantial quantities of lithium contained in mineral-rich waters underneath the Salton Sea area. Direct lithium extraction from these geothermal brines is expected to create economic benefits for the state in the form of increased investments and tax revenues to benefit local communities, while promising substantially lower environmental impacts than other methods of sourcing lithium. As part of state efforts to incorporate these geothermal brine resources into a new domestic lithium supply chain, the Lithium Valley Commission (LVC) was convened in 2021 as a result of AB 1657 (E. Garcia) Chapter 271, Statutes of 2020. The LVC issued a comprehensive report in December 2022 which recommended accelerating transmission planning, improving permitting processes, securing funding for infrastructure investments, and establishing economic development incentives to support industry growth in the Lithium Valley.

Importance of Coordination. Multiple state agencies, local governments, private businesses, and community stakeholders are actively engaging in funding, economic development, construction, and manufacturing related to lithium extraction in the Salton Sea area. The CEC has held workshops, tours, and funded projects to advance lithium recovery efforts, while the Governor's

Office of Business and Economic Development (GO-Biz) manages a variety of investments and grants to support projects in the area. There are currently three companies developing Lithium extraction operations near the Salton Sea: EnergySource Minerals, Controlled Thermal Resources and BHE Renewables. With myriad state agencies, local governments, private companies, and groups of local stakeholders actively participating in the development of Lithium Valley, creating an office to coordinate these efforts, as this bill would upon appropriation of funds by the Legislature, seems prudent for ensuring the success and positive community impact of lithium extraction near the Salton Sea.

According to the Author

"California's "Lithium Valley," located in the Imperial Valley, contains one of the largest and most environmentally sustainable lithium reserves in the world. "Lithium Valley" development is a great opportunity to boost the economy in Imperial County and fence line communities. AB 1569 would establish a Lithium Valley Office of Development and would require the office, in consultation with relevant state agencies, to coordinate initiatives related to funding, economic development, construction, manufacturing, technical development, and reclamation of lithium in the Salton Sea Geothermal Resource Area for the benefit of all Lithium Valley residents."

Arguments in Support

This bill is supported by cities and counties from the Lithium Valley area, as well as a variety of labor organizations including the California State Association of Electrical workers, which asserts that the bill would provide "a resource and opportunity for individuals in Imperial County and fence line communities to take part in the extraction of lithium" and a "great opportunity for people of underserved communities to join the workforce."

Arguments in Opposition

None on file.

FISCAL COMMENTS

Cost pressure, likely in the low to mid hundreds of thousands of dollars, to appropriate funds so the Energy Commission may establish and staff the office (Energy Resources Programs Account).

VOTES**ASM UTILITIES AND ENERGY: 15-0-0**

YES: Garcia, Calderon, Wendy Carrillo, Chen, Connolly, Dixon, Holden, Mathis, McKinnor, Muratsuchi, Reyes, Santiago, Schiavo, Ting, Wallis

ASM APPROPRIATIONS: 11-0-5

YES: Holden, Bryan, Calderon, Wendy Carrillo, Mike Fong, Hart, Lowenthal, Papan, Pellerin, Weber, Ortega

ABS, ABST OR NV: Megan Dahle, Dixon, Mathis, Robert Rivas, Sanchez

UPDATED

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