

Date of Hearing: May 14, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1095 (Papan) – As Amended April 21, 2025

Policy Committee: Utilities and Energy
Natural Resources

Vote: 18 - 0
14 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill makes projects that enable the capture and conversion of data centers' waste heat eligible for funding through the California Infrastructure and Economic Development Bank (IBank) Climate Catalyst Revolving Loan Fund Program and designates the California Energy Commission (CEC) as the consulting agency for such projects. The bill also provides that, if multiple projects seek funding, the agencies making funding decisions are to prioritize funding based on state policy and on financial considerations, as determined by the CEC.

FISCAL EFFECT:

This bill creates significant cost pressure, possibly in the millions of dollars, on the Climate Catalyst Revolving Loan Fund Program to accommodate the new category of eligible funding.

COMMENTS:

- 1) **Purpose.** This bill is to encourage the productive use of waste heat generated by data centers, thereby offsetting energy use. According to the author:

With data centers accounting for a significant portion of the state's energy consumption and their waste heat largely going untapped, AB 1095 provides an innovative solution by encouraging the recycling of this otherwise wasted energy. By supporting investment in projects where data center operators repurpose their waste heat, this bill not only incentivizes energy efficiency but also aligns with California's broader climate goals of decarbonization and reducing greenhouse gas emissions. The proposal is timely, as it aligns with the growing demand for cloud services and regenerative AI technologies, ensuring that California remains at the forefront of clean energy advancement while effectively addressing the energy needs of the future.

- 2) **Background.** The statute governing the IBank's Climate Catalyst Program directs it to provide financial assistance for climate catalyst projects at low-interest rates and at low-cost as determined by the bank, to support the projects directly and to attract additional third-party capital. Statute defines a "climate catalyst project" as any building, structure, equipment, infrastructure, or other improvement within California, or financing the general needs of any sponsor or participating party for operations or activities within California that are consistent with, and intended to, further California's climate goals, activities that reduce climate risk,

and the implementation of low-carbon technology and infrastructure. The definition of “climate catalyst project” is broad and, presumably, encompasses data center waste heat capture and conversion.

The IBank notes that monies from the federal Inflation Reduction Act of 2022 that were to fund the Climate Catalyst Revolving Loan Fund Program remain frozen and are unavailable for deployment, as ordered by the United States Court of Appeals for the District of Columbia Circuit on April 16, 2025. The IBank further notes that, in the absence of federal funds, the Legislature could make approximately \$100 million available to the IBank to capitalize the Climate Catalyst Revolving Loan Fund Program.

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