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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair  
2025 - 2026 Regular Session

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### AB 1280 (Garcia) - Energy

**Version:** July 17, 2025

**Policy Vote:** B., P. & E.D. 10 - 0, E., U. &  
C. 13 - 0

**Urgency:** No

**Mandate:** No

**Hearing Date:** August 18, 2025

**Consultant:** Janelle Miyashiro

**Bill Summary:** AB 1280 adds projects that enable decarbonization of industrial facilities' use of heat and power as a new category of climate catalyst projects eligible for California Infrastructure and Economic Development Bank (IBank) financial assistance under the Climate Catalyst Revolving Fund Program, as specified. AB 1280 also expands the California Energy Commission's (CEC) Long-Duration Energy Storage (LDES) Program, as specified.

#### **Fiscal Impact:**

- The Governor's Office of Business and Economic Development (GO-Biz) reports one-time costs ranging from approximately \$1.5 million to \$3 million and ongoing costs ranging from \$429,000 to \$1.03 million to stand up a new category within the Climate Catalyst Revolving Loan Fund, underwrite eligible transactions, and monitor and evaluate new project labor and community benefits requirements (General Fund). GO-Biz notes that IBank does not currently have the experience or existing staff capacity to meet the mandates of this bill. Additionally, GO-Biz notes that IBank would need to perform a market study in order to conduct the lending activities required in this bill, which would not be reimbursable through borrowers. Additional reporting that is required by the Legislature on the impact of IBank investments would also not be reimbursable through borrowers.
- The CEC reports annual ongoing costs of approximately \$437,000 to administer the expansion of the LDES Program (Energy Resources Programs Account (ERPA)). CEC notes that the bill does not specify a funding source, so assumes costs would be borne by the ERPA; however, the ERPA has an ongoing structural deficit and may not be an appropriate funding source to support implementation of the Industrial Facilities Thermal Energy Storage Program as proposed by this bill.

**Background:** According to IBank, the Climate Catalyst Revolving Loan Fund, also known as the Climate Catalyst Fund, is open to both private and public sector applicants. The Climate Catalyst Fund is designed to jumpstart critical climate solutions through flexible, low-cost credit and credit support to help bridge the financing gap that currently prevents these advanced technologies from scaling into the marketplace. The program also aims to mobilize public and private finance for shovel-ready projects that are stuck in the deployment phase, and to accelerate the speed and scale at which technologically proven, critical climate solutions are deployed.

The Climate Catalyst Fund's current focus is on three sectors in California's climate mitigation and resilience strategies:

- Forest Biomass Management and Utilization—projects that reduce wildfire threats through forest biomass management and utilization. Projects include, but are not limited to, sustainable vegetation management, forestry practices, and timber harvesting products such as advanced energy and construction materials.
- Clean Energy Transmission—projects that increase access to zero-carbon resources through new clean energy transmission infrastructure. Projects include, but are not limited to, clean energy transmission project infrastructure and other necessary technical elements of transmission infrastructure, such as environmental planning, permitting, and preconstruction costs for projects.
- Climate-Smart Agriculture—projects that promote climate-smart technologies and practices across the agricultural value chain. Projects include, but are not limited to, on-farm and food processing renewable energy, including electricity, fuels, and bioenergy; energy, water, and materials efficiency; methane reduction projects that use best practice approaches consistent with state policy goals; energy storage or microgrids; and equipment replacements.

**Proposed Law:**

- Adds projects that enable decarbonization of industrial facilities' use of heat and power, including but not limited to, industrial heat pump and thermal energy storage projects, as a new category of climate catalyst projects eligible for IBank financial assistance under the Climate Catalyst Revolving Fund Program, as specified.
  - Names the State Energy Resources Conservation and Development Commission and the State Air Resources Board as the consulting agencies for this new category of projects.
  - Establishes criteria and other requirements for IBank to consider in prioritizing and financing projects.
- Defines "thermal energy storage" to mean the storage of thermal energy for direct use for heating or cooling at a later time in a manner that avoids the need to use electricity at that later time.
- Requires the State Energy Resources Conservation and Development Commission to establish and implement an Industrial Facilities Thermal Energy Storage Program within the Long-Duration Energy Storage Program to provide financial incentives for eligible projects located at eligible facilities to decarbonize industrial facilities' use of heat and power. Authorizes the commission to establish project and industrial facility guidelines for the purposes of this section that support the broader transformation of industrial facilities to ensure program resources support high-road jobs, community benefits, and the transition from fossil fuels to clean energy.
- Clarifies program funding criteria.
- Renames the Industrial Grid Support and Decarbonization to the Industrial Decarbonization and Improvement of Grid Operations Program and makes other conforming changes.