
THIRD READING

Bill No: AB 1280
Author: Garcia (D), et al.
Amended: 7/17/25 in Senate
Vote: 21

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 10-0, 7/7/25
AYES: Ashby, Choi, Archuleta, Arreguín, Grayson, Menjivar, Smallwood-
Cuevas, Strickland, Umberg, Weber Pierson
NO VOTE RECORDED: Niello

SENATE ENERGY, U. & C. COMMITTEE: 13-0, 7/15/25
AYES: Becker, Ochoa Bogh, Allen, Archuleta, Arreguín, Caballero, Gonzalez,
Hurtado, Limón, McNerney, Rubio, Stern, Wahab
NO VOTE RECORDED: Ashby, Dahle, Grove, Strickland

SENATE APPROPRIATIONS COMMITTEE: 5-0, 8/29/25
AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab
NO VOTE RECORDED: Seyarto, Dahle

ASSEMBLY FLOOR: 72-1, 6/4/25 - See last page for vote

SUBJECT: Energy

SOURCE: Author

DIGEST: This bill adds a new category of climate catalyst projects, thermal energy storage (TES), to the list of those the Infrastructure and Economic Development Bank (IBank) is authorized to provide financial assistance in connection with, in consultation with the State Energy Resources Conservation and Development Commission and the State Air Resources Board and according to specified requirements.

ANALYSIS:

Existing law:

- 1) Establishes the Bergeson-Peace Infrastructure and Economic Development Bank Act and creates the IBank and authorizes IBank to make loans, issue bonds, and provide other economic development assistance, among other things. (Government Code (GOV) §§ 63000 *et seq.* and 63050 *et seq.*)
- 2) Authorizes IBank to provide financial assistance in connection with the financing or refinancing of various climate catalyst projects under the Climate Catalyst Revolving Loan Fund Program, with various state agencies named as consulting agencies. Specifies consulting agencies and the corresponding areas of climate catalyst projects they will provide consultation. (GOV § 63048.93)
- 3) Requires the California Energy Commission (CEC) to establish and implement the Long-Duration Energy Storage (LDES) Program to provide financial incentives for eligible projects, located at eligible storage facilities, that have power ratings of at least one megawatt and are capable of reaching a target of at least eight hours of continuous discharge of electricity at that power rating in order to deploy innovative energy storage systems to the electrical grid for purposes of providing critical capacity and grid services. (Public Resources Code (PRC) § 25641)
- 4) Requires CEC to establish the Industrial Decarbonization and Improvement of Grid Operations program to provide incentives for projects at industrial facilities that help achieve specified goals. (PRC §§25662-25662.2)

This bill:

- 1) Adds the State Energy Resources Conservation and Development Commission and the State Air Resources Board to the list of state agencies IBank consults with on climate catalyst projects for projects that enable the decarbonization of industrial facilities' use of heat and power, including, but not limited to, industrial heat pump and thermal energy storage projects.
- 2) Requires IBank to prioritize, to the greatest extent applicable, industrial decarbonization projects that achieve direct or indirect emissions reductions at a specific industrial facility and that reduce criteria pollutants and further progress toward attainment of local, state, or federal air quality standards.

- 3) Prohibits IBank from financing an industrial decarbonization project unless the entity completing the project has entered into a project labor agreement (PLA) that meets specified requirements and that: includes provisions requiring payment of prevailing wages to all construction workers employed in the construction of the project and for enforcement of that obligation through an arbitration procedure; includes targeted hiring provisions and a hiring plan, on a craft-by-craft basis to address job access for local, disadvantaged, or underrepresented workers, as defined by a relevant local agency; includes apprenticeship utilization provisions that commit all parties to increasing the share of work performed by state-registered apprentices above the state-mandated minimum ratio and; includes apprenticeship utilization provisions that commit all parties to hiring and retaining a certain percentage of state-registered apprentices that have completed the Multi-Craft Core preapprenticeship training curriculum.
- 4) Prohibits IBank from financing an industrial decarbonization project unless the entity completing the project includes a community benefit fund or community benefits agreement with the surrounding community and other affected stakeholders.
- 5) Specifies that consultation on an industrial decarbonization project does not constitute approval of that project by the State Energy Resources Conservation and Development Commission or the State Air Resources Board and that IBank consultation on, or evaluation of, an industrial decarbonization project does not indicate the bank's approval. Requires IBank to consider the credit and financial aspects of the project before determining whether to approve and finance the project.

Background

According to its website, IBank exists within GO-Biz and “was created in 1994 to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong economy and improve the quality of life in California communities. IBank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and Federal funds. IBank's current programs include the Infrastructure State Revolving Fund (ISRF) Loan Program, California Lending for Energy and Environmental Needs (CLEEN) Center, the Climate Catalyst Revolving Loan fund, Small Business Finance Center and the Bond Financing Program.”

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 and 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, 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. In November 2023, IBank's Board of Directors approved the first transaction, a commitment of up to \$25 million into the California Wildfire Innovation Fund to fund new businesses that turn hazardous forest waste into products and that promote technologies to decrease the risks of catastrophic wildfires, in accordance with the Climate Catalyst Fund requirement to support, among other priorities, the forestry sector.

According to the U.S. Department of Energy, "thermal energy storage (TES) refers to energy stored in a material as a heat source or a cold sink and reserved for use at a different time. Like how a battery stores energy to use when needed, TES systems can store thermal energy from hours to weeks and discharge the thermal energy directly to regulate building temperatures, while avoiding wasteful thermal/electrical energy conversions. When combined with heat pumps, TES can enhance their performance by providing a more stable thermal source, leading to better overall system efficiency. Such TES systems also help balance energy supply and demand—especially during peak demand periods or extreme weather events. Currently, more than 45% of electricity consumption in U.S. buildings is used to meet thermal uses like air conditioning and water heating. TES systems can improve energy reliability in our nation's building stock, lower utility bills for American consumers and businesses, and protect people during extreme heat and cold events and improve their living environment." According to a 2025 CEC report one TES system, "Thermal energy storage solutions for small- and medium-sized commercial buildings are an emerging market with enormous potential for energy savings where successful adoption can help California meet its sustainability mandates."

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, 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. 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.

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.

SUPPORT: (Verified 8/29/25)

350 Bay Area Action
350 Humboldt
350 Southland Legislative Alliance
American Council for an Energy-efficient Economy
Amy's Kitchen
Antora Energy, INC.
Asian Pacific Environmental Network
Bellwether Coffee
Bluegreen Alliance
Brightline Defense
California Climate Action
California Environmental Voters
California State Association of Electrical Workers
California State Pipe Trades Council
Californians for Disability Rights
Center for Community Action and Environmental Justice
Central Coast Alliance United for a Sustainable Economy
Clean Coaliton
Clean Power Campaign
Cleaneearth4kids.org
Climate Action California
Climate Action Campaign
Coalition for Clean Air
Earthjustice

East Yard Communities for Environmental Justice
Elders Climate Action Norcal Chapter
Glasspoint Solar, INC.
Heliogen
Industrious Labs
Karman Industries
Los Angeles Alliance for a New Economy
Los Angeles Cleantech Incubator
Marin Clean Energy
Natural Resources Defense Council
Norcal Elder Climate Action
People's Collective for Environmental Justice
Physicians for Social Responsibility - San Francisco Bay Area Chapter
San Francisco Baykeeper
Santa Cruz Climate Action Network
Searles Valley Minerals
Sierra Club California
Sierra Nevada Brewing Company
Skyven Technologies
Socal 350 Climate Action
Socal Elders Climate Action
State Building and Construction Trades Council
Sunflower Alliance
Sustainable Mill Valley
Thanksgiving Coffee
The Climate Center
The Climate Reality Project Los Angeles Chapter
The Climate Reality Project: Silicon Valley
Thermal Battery Alliance
Third ACT Sacramento
Traditional Medicinals
U.S. Green Building Council, California
Vote Solar
Western States Council Sheet Metal, Air, Rail and Transportation

OPPOSITION: (Verified 8/29/25)

Western Electrical Contractors Association

ARGUMENTS IN SUPPORT: Supporters write that the state must assist in wide-scale industrial decarbonization in order to meet our 2045 carbon neutrality

goals. Modernization of the manufacturing sector will create a healthy climate, clean air and good paying, high road jobs. By expanding existing state incentive programs, AB 1280 will encourage new thermal energy storage projects without reducing in-state jobs or raising prices for consumers. According to supporters, this bill will reinvest in the state's manufacturing base by providing funding under the state's existing grant and incentive programs to replace fossil fuel-fired industrial heating equipment with available clean energy technologies like heat pumps and thermal energy storage. These projects will slash GHG emissions, improve air quality, and preserve and create family-sustaining jobs in California's manufacturing sector. Supporters state that AB 1280 will make the necessary investments to help secure our manufacturing base as a major economic driver and job creator for decades to come, while keeping end costs affordable for the consumers who depend on these products every day.

ARGUMENTS IN OPPOSITION: The Western Electrical Contractors Association (WECA) opposes this bill because "it requires these important industrial decarbonization projects funded by the I-Bank to include a project labor agreement and a community benefits fund or agreement." The organization writes that it believes PLAs are discriminatory and increase the cost of construction because they include employment restrictions that only apply to non-signatory contractors. They cite an August 2021 Rand Corporation study that "found that a bond measure passed by LA-area voters in 2016 failed to deliver its intended results, primarily due to a [PLA]. Significant conclusions in the study include: After accounting for a variety of important characteristics of individual projects, I estimate that per-unit construction costs were approximately \$43,000 higher for projects covered by the PLA; This amounts to a 14.5-percent increase in construction costs; In a simulation exercise I estimate that, in the absence of the HHH PLA, a combination of developers building larger projects and lower costs facilitating the funding of more projects would have resulted in approximately 800 more units of housing, or an amount representing around 11 percent of the total of 7,305 housing units in the actual HHH pipeline today." WECA urges the Author to remove the PLA requirements from this bill and writes that "as a Merit Shop Employer Association, is committed to a fair and equal approach to contracting. Their members believe in rewarding employees based on performance and encouraging them to reach their highest level of achievement. Contracts should be awarded based on safety, quality, and value, regardless of labor affiliation. This approach fosters a healthy and competitive business environment."

ASSEMBLY FLOOR: 72-1, 6/4/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Fariás, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon,

Caloza, Carrillo, Chen, Connolly, Davies, Elhawary, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NOES: DeMaio

NO VOTE RECORDED: Castillo, Dixon, Ellis, Macedo, Sanchez, Tangipa

Prepared by: Sarah Mason / B., P. & E.D. /
8/30/25 16:35:55

**** END ****