

CONCURRENCE IN SENATE AMENDMENTS

AB 1280 (Garcia)

As Amended September 5, 2025

Majority vote

SUMMARY

Qualifies thermal energy storage for multiple financial incentive programs administered by the California Infrastructure and Economic Development Bank (IBank) and the California Energy Commission (CEC). The bill restricts funding for certain industrial decarbonization projects in these programs to those that meet certain labor and community benefit standards, as specified.

Senate Amendments

- 1) Clarifies that the bill's requirements apply only to those applications submitted after January 1, 2027.
- 2) Ensures the bill conforms to current budget legislation.
- 3) Makes the bill contingent on funding.

COMMENTS

Thermal energy storage is a technology that stores thermal energy, or heat, for use at a later time. Advances in thermal energy storage technology are beginning to function similar to other long duration battery storage technologies and could shift industrial energy consumption away from peak grid times. Thermal energy storage technologies have the possibility to be implemented across multiple industries, including the food, textile, chemical, and petrochemical industries, among others.

This bill specifies that thermal energy storage technology is eligible for three state programs: the Climate Catalyst Program, the Long Duration Energy Storage Program, and the INDIGO program.

The Carbon Catalyst Program is intended to provide financial support for infrastructure projects that work toward the State's climate goals. The Climate Catalyst Revolving Loan Fund is administered by IBank. As of January 23, 2025, the U.S. Environmental Protection Agency deposited \$446,257,500 into the Climate Catalyst Fund at IBank.

The Long Duration Energy Storage Program is administered by the CEC provides financial incentives for projects 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. The goal of the program is to encourage energy storage and avoid generation issues during hours of peak energy usage in the state. AB 227 (Gabriel), of the current legislative session, has designated \$2.6 million for the Long Duration Energy Storage Program.

In 2022, the Legislature enacted AB 209 (Committee on Budget) Chapter 251, Statutes of 2022 which created INDIGO under the CEC to provide incentives for projects that enhance grid reliability, promote electrification, incorporate renewable energy resources, increase efficiency and develop or deploy decarbonization technologies. As of March 2025, all funding allocated for grants within the INDIGO program is fully committed. Some INDIGO programs are funded by

federal cost-shared projects under the Department of Energy. Currently, these federal funds are paused.

According to the Author

"The Inland Empire (IE) is home to over 4,000 warehouses, taking up one billion square feet of the region. The IE ranks among the worst in the nation for air pollution, particularly ozone and particulate matter. While California's industrial sector helps to employ more than 1.1 million people and generates roughly 10% of the state's total economic output, it is also responsible for nearly 25% of all greenhouse gas emissions in California. Many of these facilities are concentrated in regions that already suffer from poor air quality and can have disproportionate health impacts on historically disadvantaged and environmentally burdened communities. Not to mention, many facilities are placed near resident neighborhoods and children's schools, exposing students and families to pollution, especially for students who walk to school. To improve air quality and help achieve our climate goals, AB 1280 would expand three existing state incentive programs to encourage new thermal energy storage projects without reducing in-state jobs or raising prices for consumers."

Arguments in Support

Supporters of the bill include a coalition of environmental organizations and labor groups. They state, "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 greenhouse gas (GHG) emissions, improve air quality, and preserve and create family-sustaining jobs in California's manufacturing sector."

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Senate Committee on Appropriations, 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.

VOTES:**ASM UTILITIES AND ENERGY: 17-0-1**

YES: Petrie-Norris, Boerner, Calderon, Chen, Davies, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz, Ta, Wallis, Zbur

ABS, ABST OR NV: Patterson

ASM NATURAL RESOURCES: 13-0-1

YES: Bryan, Alanis, Connolly, Ellis, Flora, Garcia, Haney, Kalra, Muratsuchi, Pellerin, Schultz, Wicks, Zbur

ABS, ABST OR NV: Hoover

ASM APPROPRIATIONS: 14-0-1

YES: Wicks, Arambula, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache, Ta, Tangipa

ABS, ABST OR NV: Sanchez

ASSEMBLY FLOOR: 72-1-6

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, 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

NO: DeMaio

ABS, ABST OR NV: Castillo, Dixon, Ellis, Macedo, Sanchez, Tangipa

UPDATED

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