Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
AB 1849 (Papan) – As Amended April 15, 2026

Policy Committee:	Natural Resources	Vote:	10 - 0
	Utilities and Energy		16 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill requires the Air Resources Board (ARB), on or before December 31, 2029, to conduct and post on its website an assessment of the amount of decarbonized gaseous fuels needed to decarbonize hard-to-electrify end uses and maintain reliability in the electricity sector.

Specifically, this bill:

1) Requires ARB's study to include an assessment of the (a) need for, and economic viability of, decarbonized gaseous fuels for each hard-to-electrify end use; (b) need for, and cost associated with, decarbonized gaseous fuels for electricity reliability and resilience; (c) current and potential policies and incentives to accelerate the production and use of decarbonized gaseous fuels in the state; and (d) opportunities for, and economic viability of, using agricultural and forest residues to help decarbonize hard-to-electrify sectors.

2) Requires ARB to consider the following in its assessment:

    a) Whether the policies necessary to decarbonize hard-to-electrify end uses and to maintain electricity reliability are consistent with the carbon reductions in the 2022 and 2027 scoping plans.

    b) How to incentivize the increased production and use of decarbonized gas in California.

    c) How to maximize the benefits of decarbonized gas production and use in California, including opportunities to mitigate wildfire, reduce pile burning of forest and agricultural residues, reduce landfill waste, use renewable energy that may otherwise be curtailed, and create jobs and economic development in the state.

    d) Policies to ensure that decarbonized gases are displacing fossil fuel use.

    e) The cost implications and economic impacts of using alternatives to fossil gas for both impacted businesses and end-use consumers.

3) Requires ARB to identify hard-to-electrify end uses with the highest potential to achieve emissions reductions using decarbonized gaseous fuels and defines "hard-to-electrify sectors" as those end uses, except on-road transportation, that cannot technically, economically, or practically convert to electricity due to their need for high heat, high energy density, or other operational factors.

FISCAL EFFECT:

ARB estimates costs of approximately $3.5 million in fiscal year (FY) 2027-28 for about five positions and contract funds followed by approximately $1.2 million in FY 2028-29 and ongoing for five positions (Cost of Implementation Account (COIA)) to conduct the required assessment.

Given that the bill requires ARB to complete the assessment by the end of 2029 and does not require implementation beyond 2029, it is not clear to the committee if ARB requires ongoing funding to implement this bill.

For comparison and context, as part of the FY 2023-24 budget, ARB requested and received $3.1 million and four permanent positions, including $2.3 million in one-time contract funds (COIA), to assess and provide policy recommendations on the use of hydrogen, as required by SB 1075 (Skinner), Chapter 363, Statutes of 2022. As part of the FY 2024-25 budget, ARB received $684,000 ongoing and three positions (Air Pollution Control Fund) to implement AB 585 (Rivas), Chapter 336, Statutes of 2023, which, among other things, required ARB to consult with specified agencies on an assessment of barriers limiting the deployment of clean energy projects that support the strategies identified in the scoping plan and advance the state's climate goals. As part of the FY 2025-26 budget, ARB received $120,000 (COIA) in one-time funding to implement SB 941 (Skinner), Chapter 595, Statutes of 2024, which required ARB, in the next update to its scoping plan, to include a discussion of the availability of zero-emission alternatives to industrial sources of greenhouse gas emissions.

COMMENTS:

1) **Purpose.** According to the author:

> Hard-to-electrify industries, such as cement, glass, and steel manufacturing, along with the use of peaker plants for grid reliability, account for more than one-third of California’s greenhouse gas emissions. Consistent with the 2022 Climate Change Scoping Plan, which recognized the need for decarbonized fuels in a carbon-free future, this bill advances that goal by determining how much decarbonized fuel each hard-to-electrify sector will require and by evaluating the policies and incentives needed to speed up deployment.

2) **Background.** This bill seeks to assess and plan for the role that decarbonized gaseous fuels – which is not defined in the bill – could play in reducing greenhouse gas emissions from sectors of the economy that are difficult to electrify, as well as from continued fossil fuel use in the electricity sector itself. Fossil gas currently accounts for roughly 34% of California's electricity generation, and industrial activity accounts for approximately 22% of the state's greenhouse gas emissions. Together these sources represent more than one-third of statewide emissions. This bill is framed as a tool to help California meet its statutory climate obligations by identifying pathways to deploy decarbonized fuels derived from agricultural residues, forest waste, and organic materials – sources that ARB has identified as significant contributors to methane emissions and as potential feedstocks for new fuel markets.

   The Bioenergy Association of California and the California Hydrogen Business Council, the sponsors of this bill, argue California cannot meet its climate goals without a significant increase in the production of low-carbon and carbon-negative gaseous fuels but the state’s

"current policy framework lacks a comprehensive, cross-sector assessment of decarbonized gaseous fuel demand." The sponsors further argue that hard-to-electrify sectors, including high-heat industrial processes, dispatchable electricity generation, heavy-duty transportation, aviation and marine fuels, and long-duration energy storage – require energy-dense, low-carbon molecules, and that hydrogen and renewable gaseous fuels produced from organic waste streams "are among the few scalable options capable of generating carbon negative emissions needed to reach carbon neutrality and also needed to maintain electricity reliability." The sponsors contend that a data-driven assessment and recommendations for a performance-based program to accelerate deployment of these fuels "will support grid reliability, reduce criteria pollutants, and create durable, well-paying jobs in rural and industrial regions."

Writing in opposition, a coalition of environmental and environmental justice organizations argue, "This is NOT simply a study bill. It would require [ARB] to 'accelerate' and 'incentivize' the increased production and use of polluting, expensive forms of hydrogen and methane under the misnomer 'decarbonized gaseous fuels.'" The coalition notes the bill does not define "decarbonized gaseous fuels" and that California agencies are already undertaking several studies and reports to inform the state's decarbonization strategy, including the potential use of gaseous fuels. The coalition argues this bill seeks to "prematurely jump ahead of these expert agency processes by presuming benefit and locking in incentives for expensive, polluting, niche fuels," and that "this is a waste of limited public funds and potentially conflicts with ongoing California agency assessments, all to benefit polluting industries." The coalition argues, among other things, that hydrogen and methane made from woody biomass, methane created by large dairies, and hydrogen made from fossil fuels have significant carbon and pollutant emissions and should not be incentivized.

Analysis Prepared by: Nikita Koraddi / APPR. / (916) 319-2081