

Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

AB 2163 (Jeff Gonzalez) – As Amended March 19, 2026

SUBJECT: Electricity: Strategic Clean Energy and Critical Mineral Development Zones

SUMMARY: Requires the California Energy Commission (CEC), in consultation with Governor's Office of Business and Economic Development (GO-Biz) and other relevant state agencies, to identify and designate Strategic Clean Energy and Critical Mineral Development Zones, with the intent that the designation process be implemented statewide. Furthermore, the bill prioritizes state funding, infrastructure, and technical support for projects within these zones. Specifically, **this bill:**

- 1) Requires the California Public Utilities Commission (CPUC), CEC, California Air Resources Board (CARB), and all other state agencies to consider the development potential of regions capable of supporting large-scale clean energy production, critical mineral supply chains, advanced manufacturing, and other energy-intensive industries, including designated Strategic Clean Energy and Critical Mineral Development Zones, when taking actions to achieve the state's goals of 90% clean electricity by 2035, 95% by 2040, and 100% by 2045.
- 2) Requires that a designated zone consist only of geographic areas within the jurisdictional boundaries of the county submitting the request for designation.
- 3) Requires that to qualify for designation, a proposed zone must satisfy one mandatory criteria plus two or more of the following additional criteria. The mandatory criteria is that the county has been identified by state or federal agencies as containing significant deposits or identified production potential of critical minerals used in battery, clean energy, or advanced manufacturing supply chains. The additional criteria, of which two or more must be met, are as follows:
 - a) The county contains baseload renewable electrical generation facilities, including geothermal resources, with a combined capacity of at least 250 megawatts.
 - b) The county has identified geothermal resource potential exceeding 1,000 megawatts, as estimated by the CEC, the United States Geological Survey, or other recognized authorities.
 - c) The proposed zone is located in proximity to existing high-voltage electrical transmission infrastructure of 230 kilovolts or greater capable of supporting large-scale renewable energy generation or industrial load.
 - d) The proposed zone is the subject of an adopted or proposed regional planning effort, including a specific plan or programmatic environmental review, that evaluates renewable energy production, critical mineral extraction, advanced manufacturing, or related industries.

- 4) Authorizes the county in which a proposed zone is located to submit a request for designation and would authorize the county board of supervisors to, by resolution, authorize the request for designation.
- 5) Requires the CEC to approve or deny a complete submission within 180 days.
- 6) Authorizes the CEC to independently identify and designate qualifying zones without waiting for a county request.
- 7) Prohibits the CEC from accepting multiple requests covering substantially the same geographic area unless submitted jointly by the relevant public agencies.
- 8) Requires the CEC to review all designated zones at least every five years.
- 9) Authorizes the CEC to update zone designations as appropriate based on changes in energy resources, infrastructure, or economic development planning.
- 10) Requires state agencies administering programs related to energy infrastructure, economic development, advanced manufacturing, workforce development, or critical mineral supply chains to give priority consideration — to the extent consistent with law — to projects, infrastructure investments, and technical assistance located within designated zones that support large-scale clean energy production or energy-intensive industrial development.
- 11) Requires GO-Biz to consider designated zones when administering programs intended to support advanced manufacturing, clean technology industries, energy storage supply chains, and other energy-intensive industries.
- 12) Authorizes GO-Biz to coordinate with the CEC and other relevant state agencies to support site readiness, infrastructure development, and investment attraction within designated zones.

EXISTING LAW:

- 1) Vests the CPUC with regulatory authority over public utilities, including electrical corporations. (Public Utilities Code § 701, et seq.)
- 2) Establishes the CEC and prescribes its authorities, duties, and responsibilities pertaining to energy matters. (Public Resources Code § 25200, et seq.)
- 3) Requires the CEC to establish the Blue Ribbon Commission on Lithium Extraction in California to review, investigate and analyze specified issues relating to lithium extraction and use in California including market opportunities for lithium, methods of overcoming technical and economic challenges, potential economic and environmental impacts, and opportunities for incentives and investments. (Public Resources Code § 25232)
- 4) Requires the imposition of a statewide excise tax on lithium extraction in California, establishes the Lithium Extraction Excise Tax Fund, and directs revenues for specified purposes including allocations to local governments in the area of extraction and to state programs supporting environmental mitigation and economic development. (Revenue and Taxation Code § 47000, et seq.)

- 5) Establishes it as the policy of the state that eligible renewable energy resources and zero-carbon resources supply 90% of all retail sales of electricity to California end-use customers by December 31, 2035, 95% by December 31, 2040, 100% by December 31, 2045, and 100% of electricity procured to serve all state agencies by December 31, 2035, and requires the CPUC, the Energy Commission, the State Air Resources Board, and all other state agencies to ensure that actions taken in furtherance of that policy meet certain criteria. (Public Utilities Code § 454.53, as amended by SB 1020, Chapter 362, Statutes of 2022.)

FISCAL EFFECT: Unknown. The bill is keyed fiscal and will be referred to the Assembly Committee on Appropriations for their review.

BACKGROUND:

Lithium Valley and the Blue-Ribbon Commission – Global demand for lithium is expected to grow significantly over the next decade, driven by its use in batteries for energy storage and transportation. At present, most lithium used in the United States is sourced from abroad, with major production concentrated in Argentina, Chile, China, and Australia. California, however, has high concentrations of dissolved lithium in geothermal brine resources located in the Imperial Valley near the Salton Sea, an area commonly referred to as Lithium Valley. In 2023, the U.S. Department of Energy released results of a comprehensive analysis of lithium resources in the Salton Sea region, led by Lawrence Berkeley National Laboratory. The analysis found that, with expected advances in extraction technology, the region could contain more than 3,400 kilotons of lithium, enough to support over 375 million electric vehicle batteries, exceeding the number of vehicles currently on U.S. roads.

To support development of a domestic lithium supply chain, the state established the Lithium Valley Commission pursuant to AB 1657 (E. Garcia, Chapter 271, Statutes of 2020). The Commission began meeting in 2021 and was intended to operate for a limited time, issuing its final report in October 2022. During that time, it examined opportunities and barriers associated with lithium extraction from geothermal brine in the Salton Sea region, including technical, economic, environmental, and community considerations. The Commission’s report included several recommendations to support industry development. Among these was the concept of a Lithium Valley specific economic development zone. The Commission described this as a designated area where the state would focus funding, streamline permitting, and support workforce and infrastructure needs for lithium development in Imperial County.

Lithium Tax – In addition, SB 125 (Chapter 63, Statutes of 2022) established a statewide lithium extraction excise tax beginning January 1, 2023. The tax is imposed on each metric ton of lithium carbonate equivalent extracted and is structured on a tiered basis, ranging from \$400 to \$800 per metric ton depending on cumulative production levels. The statute directs that 80 percent of revenues be allocated to the county where extraction occurs, with the remaining 20 percent dedicated to Salton Sea restoration and related purposes. The tax is intended to both support local communities and provide a stable fiscal structure for lithium development while preempting local taxation on extraction activities.

Geothermal Energy Resources – Geothermal Energy Resources. California has more than 40 operating geothermal power plants, providing about 2,700 megawatts of capacity. Much of this

capacity is located in geothermal resource areas across the state, including the Salton Sea, where roughly 11 operating geothermal power plants. These facilities bring geothermal brine to the surface as part of electricity generation. That brine contains dissolved lithium, which can be extracted during the process. Because the brine is already brought to the surface as part of power production, lithium can be extracted without large scale mining or evaporation ponds, which may reduce environmental impacts.

Actions to Support Lithium Development – State and local entities, along with private developers and community stakeholders, are engaged in advancing lithium recovery in the region. The California Energy Commission has conducted workshops and site visits and has provided funding to support technology development. In 2024, Go-Biz awarded a \$30 million in California Competes tax credit to a lithium extraction project in Imperial County. At the local level, Imperial County adopted the Lithium Valley Economic Opportunity Investment Plan in 2022 and authorized implementation. The plan identifies infrastructure, workforce, and community investment needs to support lithium development in the region and to help position the county for state, federal, and private funding. In parallel, multiple geothermal and lithium recovery projects are under development, reflecting growing commercial interest in the region.

COMMENTS:

- 1) *Author's Statement.* According to the author, “As California continues to move towards clean and renewable energy, we must ensure that we are properly taking advantage of the natural resources that California has been blessed with. Imperial County is one of the most lithium and geothermal rich regions in the entire world so it is critical that the County and areas like it are prioritized as the state plans the future of energy policy. This bill creates a standard for counties throughout the state to meet in order to be designated as a Strategic Clean Energy and Critical Mineral Development Zone. Counties that receive this designation and the energy infrastructure that they are capable of housing will be essential as California strives for its energy goals. California is naturally blessed with abundant energy resources and if we are going to reach our goals, those resources and the regions that contain them must be fully utilized and included in the planning and development processes.”
- 2) *This Bill.* AB 2163:
 - a) Requires the CEC, in consultation GO-Biz and other relevant state agencies, to identify and designate Strategic Clean Energy and Critical Mineral Development Zones, with the intent that the designation process be implemented statewide.
 - b) Requires state agencies administering programs related to energy infrastructure, economic development, workforce development, and critical mineral supply chains to give priority consideration, to the extent consistent with law, to projects, infrastructure investments, and technical assistance located within designated zones.
 - c) Requires the CPUC, CEC, CARB, and other state agencies to consider the development potential of regions, including designated Strategic Clean Energy and Critical Mineral Development Zones, when taking actions to achieve the state's clean electricity targets of 90% by 2035, 95% by 2040, and 100% by 2045.

As noted, this measure requires state agencies administering programs related to energy infrastructure to give “priority consideration” to projects located in designated zones. However, for long-term planning, identifying where resource development potential exists can help inform state and local planning efforts. At the same time, this does not mean projects should be prioritized solely because they are located within designated zones. Projects are generally evaluated based on demonstrated cost-effectiveness and how well they align with the state’s resource needs relative to other projects. Requiring priority based only on location could limit the ability to make those assessments and may lead to selecting projects that do not provide the most cost-effective outcome. For that reason, designated zones are better used to inform planning and investment decisions, rather than to direct which projects are ultimately selected

Similarly, the bill directs agencies to consider designated zones when taking actions to achieve the state’s clean energy goals. Agencies already assess resource potential across regions through existing planning and procurement processes. Including a requirement to consider designated zones when taking actions to meet the state’s clean electricity targets could blur how those zones are intended to factor into decisions. Agencies generally rely on cost-effectiveness and system needs when making those determinations. Focusing on location in statute could change how those decisions are made and influence outcomes even where projects in those areas are not the most cost-effective. *For these reasons, the committee recommends removing the reference to energy infrastructure in Section 25216.7(g)(1), which establishes the prioritization requirement, and deleting Section 2, which raises similar concerns by directing agencies to consider designated zones when making planning and investment decisions to achieve the state’s clean electricity goals.*

3) *Prior Legislation.*

SB 125 (Committee on Budget and Fiscal Review, 2022) establishes a lithium extraction excise tax on lithium produced from geothermal brine in California, with revenues deposited into specified funds to support environmental mitigation, community benefits, and economic development in the Salton Sea region. Status: Chapter 271, Statutes of 2022.

AB 2929 (E. Garcia, 2022) requires the Legislative Analyst’s Office to annually report to the Legislature on the health, environmental, and economic impacts and benefits of producing lithium from geothermal brines in Imperial County, commonly referred to as Lithium Valley. Status: Died in the Assembly Committee on Utilities and Energy.

AB 1657 (E. Garcia) established the Lithium Valley Commission to review, investigate and analyze specified issues relating to lithium extraction and use in California and to submit a report to the legislature documenting its findings and recommendations, as specified. Status – Chapter 271, Statutes of 2020.

4) *Double Referral.* This bill is double referred. Upon passage in the Committee on Economic Development, Growth, and Household Impact, it will be referred to the Assembly Committee on Utilities and Energy.

REGISTERED SUPPORT / OPPOSITION:

Support

County of Imperial

Opposition

None on file.

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