SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2163 (Jeff Gonzalez) - Energy: Strategic Clean Energy and Critical Mineral Development Zones

Version: April 27, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: E.U.&C.17-0, B.P.&E.D.11-0
Mandate: No
Consultant: Ashley Ames

Bill Summary: This bill would require the California Energy Commission (CEC), in consultation with the 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, as specified.

Fiscal Impact:

- The CEC estimates ongoing costs of $582,000 annually (Energy Resources Program Account [ERPA]) to develop the submittal process and requirements, review requests for designation of Strategic Energy and Critical Mineral Development Zones, possibly independently designate those zones, review existing zones to identify updates, and coordinate with GO-Biz and other agencies as needed.
- Likely minor and absorbable costs to GO-Biz and other relevant state agencies to consult with CEC.

Background: Currently, virtually all of the lithium used in the United States is produced outside the country and most is mined in Argentina, Chile, China and Australia. However, uniquely high concentrations of dissolved lithium are found in the brine produced by California's geothermal hotspots. Most of these brine resources are located in, and around, the Salton Sea in the Imperial Valley in an area commonly referred to as "Lithium Valley."

As part of the state's efforts to incorporate these geothermal brine resources into a new domestic lithium supply chain, the Lithium Valley Commission (LVC) was convened in 2021 as a result of AB 1657 (Garcia), Chapter 271, Statutes of 2020. The LVC was tasked with identifying ways to resolve barriers to development and support opportunities for lithium recovery from geothermal brine within California. In October 2022, the LVC issued its final report, which recommended the concept of a Lithium Valley-specific development zone as an area the state would focus funding, streamline permitting, and support workforce and infrastructure needs for lithium development in Imperial County. Additionally, in 2024, Go-Biz awarded $30 million in California Competes tax credits to a lithium extraction project in Imperial County. California has more than 40 operating geothermal power plants, providing about 2,700 megawatts of capacity.

This bill would task the CEC with creating a Strategic Clean Energy and Critical Mineral Development Zones designation process for implementation of zones statewide.

Proposed Law: This bill would:

1. Require the CEC to work with GO-Biz and other agencies to identify and designate Strategic Clean Energy and Critical Mineral Development Zones for the purpose of identifying areas capable of supporting large-scale energy production, critical mineral development, and related industries.

2. Establish a framework for counties to submit requests to the CEC to obtain designation for an area in the county as a Strategic Clean Energy and Critical Mineral Development Zone. Require the CEC to review complete applications for designation within 180 days and authorize the CEC to independently designate areas as Strategic Clean Energy and Critical Mineral Development Zones.

3. Define a Strategic Clean Energy and Critical Mineral Development Zone as an area within a county that has been identified by state or federal agencies as an area containing significant deposits or identified production potential of critical minerals used in battery, clean energy, or advanced manufacturing supply chains. Specify that these areas must also meet two of the following criteria to obtain designation from the CEC:

    1. The county submitting the request for designation contains baseload renewable electrical generation facilities, including geothermal resources, with a combined capacity of at least 250 megawatts (MW).

    2. The county submitting the request for designation has identified geothermal resource potential exceeding 1,000 MW, as determined by the CEC, the United States Geological Survey, or other recognized authorities.

    3. The proposed zone is located in proximity to existing transmission infrastructure with a voltage of 230 kilovolts or greater capable of supporting large-scale renewable energy generation or industrial load.

    4. 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. Require the CEC to review designations of Strategic Clean Energy and Critical Mineral Development Zones at least every five years and update designations as appropriate based on changes in energy resources, infrastructure, or economic development plans.

5. Require state agencies that administer programs related to the following to prioritize, consistent with existing law, infrastructure investments and technical assistance located within designated Strategic Clean Energy and Critical Mineral Development Zones that support large-scale clean energy production or energy-intensive industrial development:
    1. Economic development.
    2. Advanced manufacturing.

    3. Workforce development.
    4. Critical mineral supply chains.

6. Require GO-Biz to consider designated Strategic Clean Energy and Critical Mineral Development Zones when administering programs supporting the following:
    1. Advanced manufacturing.
    2. Clean technology industries.
    3. Energy storage supply chains.
    4. Energy-intensive industries.

Related Legislation:

AB 1569 (E. Garcia, 2023) would have established a Lithium Valley Office of Development at the CEC. The bill died in this committee.

SB 125 (Committee on Budget and Fiscal Review, Chapter 63, Statutes of 2022) established a lithium extraction excise tax on lithium extracted from geothermal brines in California. The bill established the Lithium Subaccount within the Salton Sea Restoration Fund to collect revenues from the excise tax to support environmental mitigation, community benefits, and economic development in the Salton Sea.

AB 2929 (E. Garcia, 2022) would have required 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. The bill was held in the Assembly Appropriations Committee.

SB 589 (Hueso, Chapter 732, Statutes of 2021) expanded eligibility for clean transportation program (CTP) funding to include projects that develop in-state supply chains and the workforce for raw materials and components needed for ZEV manufacturing. The bill also made other modifications to the CTP.

AB 1657 (E. Garcia, Chapter 271, Statutes of 2020) authorized the CEC to convene a Blue Ribbon Commission on lithium extraction in California and submit a report to the Legislature by October 1, 2022, which must include findings and recommendations from the Blue Ribbon Commission regarding actions to develop lithium extraction from geothermal brines.

Staff Comments: Developing a domestic supply chain for lithium and other critical minerals could improve access to resources that would help accelerate in-state development of ZEVs and clean transportation and energy resources while also providing in-state economic benefits, including new jobs in some of the most economically disadvantaged parts of the state. Like all races for mineral extraction, the development of lithium resources is fraught with concerns about exploitative labor and environmental practices. California has sought options to expand in-state mineral extraction without repeating these practices. In recent years, the Legislature has passed several bills aimed at balancing the development of Lithium Valley with the creation of high-road jobs and environmental investments that address air and water quality concerns in the surrounding community.

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