

THIRD READING

Bill No: AB 2163
Author: Jeff Gonzalez (R)
Amended: 8/17/26 in Assembly
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 17-0, 6/24/26

AYES: Allen, Ochoa Bogh, Archuleta, Arreguín, Becker, Caballero, Dahle, Gonzalez, Grove, Hurtado, McNerney, Reyes, Richardson, Rubio, Stern, Strickland, Wahab

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 11-0, 6/29/26

AYES: Wahab, Choi, Archuleta, Arreguín, Caballero, Grayson, Menjivar, Niello, Smallwood-Cuevas, Strickland, Umberg

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26

AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 76-0, 5/27/26 - See last page for vote

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

SOURCE: County of Imperial

DIGEST: This bill establishes a framework at the California Energy Commission (CEC) for designating Strategic Clean Energy and Critical Mineral Development Zones at the county-level. This bill also requires various state agencies and the Governor's Office of Business and Economic Development (GO-Biz) to consider these zones when administering programs related to critical mineral supply chains, clean energy, manufacturing, and workforce and economic development.

Senate Floor Amendments of 8/17/26 allow counties to jointly apply to the CEC to obtain designation for a zone that crosses those counties' jurisdictional boundaries and requires state agencies and GO-Biz to prioritize projects that provide certain labor benefits.

ANALYSIS:

Existing law:

- 1) Establishes in the Resources Agency the State Energy Resources Conservation and Development Commission (also known as the CEC), consisting of five members appointed by the governor, as specified. (Public Resources Code §25200 et seq.)
- 2) Requires the CEC to undertake a continuing assessment of trends in the consumption of electrical energy and other forms of energy and to analyze the social, economic, and environmental consequences of these trends, and to carry out, or cause to be carried out, under contract or other arrangements, research and development into alternative sources of energy, improvements in energy generation, transmission, and siting, fuel substitution, and other topics related to energy supply, demand, public safety, ecology, and conservation that are of particular statewide importance. (Public Resources Code §25216.)
- 3) Establishes the Geothermal Resources Development Account, which is administered by the CEC to make grants and loans for the purposes of developing geothermal resources, including, but not limited to, the recovery of lithium and other beneficial minerals from geothermal brines in a disadvantaged community that provides local employment opportunities. (Public Resources Code §3820 et. seq.)
- 4) Requires the CEC to establish the Blue Ribbon Commission on Lithium Extraction. Existing law requires the Blue Ribbon Commission to review, investigate, and analyze certain actions related to lithium extraction and use, including the economic and environmental benefits of lithium extraction and use and opportunities for certain financial incentives to support lithium extraction from geothermal brines. Existing law requires the Blue Ribbon Commission to submit a report on its findings and recommendations to the Legislature by October 1, 2022. (Public Resources Code §25232)

This bill:

- 1) Requires 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) Establishes 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. Counties may jointly apply to obtain designation for a zone that crosses those counties' jurisdictional boundaries. This bill requires the CEC to review complete applications for designation within 180 days and authorizes the CEC to independently designate areas as Strategic Clean Energy and Critical Mineral Development Zones.
- 3) Defines 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. This bill specifies that these areas must also meet two of the following criteria to obtain designation from the CEC:
 - a) 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).
 - b) 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.
 - c) 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.
 - 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) Requires 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) Requires 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:

- a) Economic development.
 - b) Advanced manufacturing.
 - c) Workforce development.
 - d) Critical mineral supply chains.
- 6) Requires GO-Biz to consider designated Strategic Clean Energy and Critical Mineral Development Zones when administering programs supporting the following:
- a) Advanced manufacturing.
 - b) Clean technology industries.
 - c) Energy storage supply chains.
 - d) Energy-intensive industries.
- 7) Requires GO-Biz and state agencies to prioritize those Strategic Clean Energy and Critical Mineral Development Zone projects that provide prevailing wages, apprenticeships, and use a skilled and trained workforce.

Background

Lithium Valley and the gold rush for critical minerals. Lithium Valley and the new gold rush for battery components. While zero-emission vehicles (ZEVs) have become one of California's largest exports, the manufacture of electric vehicles (EVs) and other electronics that use lithium-ion batteries still rely on raw materials and components sourced from foreign countries. According to the United States Geological Survey 2023 Mineral Commodities, "80% of the global market for lithium is associated with battery components, and Australia, Argentina, Chile, and China are the largest global producers of lithium." To address rising battery consumption and demand for lithium, many countries are developing lithium resources. Developing domestic lithium supplies has become a national priority. California's Salton Sea is the location of multiple geothermal brines, which can be a rich source of lithium. Similar brines are currently the largest sources of lithium in the world. The Salton Sea's potential for lithium extraction has led some to refer to it as "Lithium Valley."

Bill follows multiple efforts to encourage mineral and economic development. 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.

Bill's requirements for agencies may be overly broad. While this bill establishes specific criteria for designating a region as a Strategic Clean Energy and Critical Mineral Development Zone, this bill requires state agencies to prioritize projects in these zones for investments and agency support related to the following: economic development, advanced manufacturing, workforce development, or critical mineral supply chains. This bill also requires GO-Biz to consider these zones when administering programs supporting advanced manufacturing, clean technology industries, energy storage supply chains, and other energy-intensive sectors. This bill does not specify specific programs for which these considerations or prioritizations must occur. To the extent that activities related to workforce development, manufacturing, and clean technology are embedded in existing programs, this bill may impact a wide range of agency activities – including activities unrelated to critical mineral supply chains.

Related/Prior Legislation

AB 1569 (E. Garcia, 2023) would have established a Lithium Valley Office of Development at the CEC. The bill was held by the Senate Appropriations 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 by 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.

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

According to the Senate Appropriations Committee:

- 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.

SUPPORT: (Verified 8/17/26)

County of Imperial (Source)
Geothermal Rising

OPPOSITION: (Verified 8/17/26)

None received

ARGUMENTS IN SUPPORT: 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.

ASSEMBLY FLOOR: 76-0, 5/27/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Johnson, Kalra, Krell, Lackey, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Jackson, Lee, Ortega, Celeste Rodriguez

Prepared by: Sarah Smith / E., U. & C. / (916) 651-4107
8/18/26 16:13:04

**** END ****