
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2234 (Papan) - California Environmental Quality Act: geothermal exploratory projects

Version: July 6, 2026

Urgency: No

Hearing Date: August 3, 2026

Policy Vote: E.Q. 6 - 0, N.R. & W. 7 - 0

Mandate: No

Consultant: Ashley Ames

Bill Summary: This bill would revise the definition of a geothermal exploratory project in the California Environmental Quality Act (CEQA) to include certain aboveground equipment and activities, and would specify that exploratory project wells can be located within one-half mile from a commercial scale geothermal development well so long as the owner and operator of the commercial scale geothermal development well provide written consent, as provided.

Fiscal Impact:

- The Department of Conservation (DOC), which houses the Geologic Energy Management Division or CalGEM, reports unknown ongoing costs, potentially \$357,000 in the first year and \$334,000 annually thereafter (Oil, Gas, and Geothermal Administrative Fund). See staff comments for details.

Background: CEQA is designed to make government agencies and the public aware of the environmental impacts of a proposed project, ensure the public can participate in the review process, and identify and implement measures to mitigate or eliminate any harm the project may cause. Unless a project qualifies for a statutory or categorical exemption, it must undergo environmental analysis beginning with an initial study, which determines whether the project may proceed under a negative declaration or mitigated negative declaration or requires a full environmental impact report.

Geothermal projects take place in two phases: the “exploration” phase involves drilling one or more exploration wells at a given site to map out the subsurface environment and assess exactly where a new geothermal power plant should be located. The subsequent “field development” phase involves drilling the necessary injector and producer wells and building the power plant, grid connections, and associated infrastructure.

Both exploratory and field development geothermal projects are subject to environmental review under CEQA. One difference between the two is that geothermal exploratory projects have CalGEM as the default lead agency in charge of CEQA review, rather than the city or county (as is the case for field development projects). However, geothermal exploratory projects have two roads to have the city or county be the lead agency: either CalGEM can delegate this responsibility to a city or county with an existing geothermal element in their general plan, or a project applicant can request the county to be the lead agency.

Proposed Law: This bill would:

1. Revise the definition of "geothermal exploratory project" to:
 - a. Include "equipment and activities necessary to establish interconnectivity between wells and reservoirs, temporary roads, electric distribution lines, and infrastructure to provide power for drilling and testing equipment"; and
 - b. Specify that wells can be located within one-half mile from a commercial scale geothermal development well, as measured from any point along the wellhead location and well course, including the bottom of the wells' interaction point, so long as the owner and operator of the commercial-scale geothermal development provide written consent for its location within that one-half mile.
2. Require written consent to be executed by a responsible officer of the owner or operator, as applicable, and authorize the owner and operator of a geothermal development well capable of producing in commercial quantities to require, as conditions of providing written consent, any or all of the following:
 - a. That the exploratory project proponent demonstrate, through ongoing monitoring, that the project will not result in degradation of existing commercial geothermal resources, including no measurable decline in reservoir pressure, temperature, or steam output, and no induced seismicity exceeding site-specific thresholds, as verified by a third-party licensed geoscience firm approved by the Geologic Energy Management Division (CalGEM).
 - b. That the exploratory project proponent demonstrate that the project will not impose any undue harm to the productive capability of any geothermal project operating under a power plant license approved by the CEC, or require any environmental mitigation to be imposed upon the license holder to operate in compliance with the project's conditions of certification.
 - c. That the exploratory project proponent accept all costs associated with safeguarding existing geothermal resources from any loss of reservoir pressure, temperature, or steam output and contamination of the reservoir with unnatural fluids, and provide adequate financial assurances, including a bond or escrow fund sufficient to cover any required remediation, compensation, or infrastructure repair.
3. Specify that the section would not alter CalGEM's discretionary authority over well permitting.

Related Legislation:

AB 1359 (Papan, Chapter 678, Statutes of 2024) authorizes the Geologic Energy Management Division (CalGEM) in the Department of Conservation (DOC) to delegate lead agency authority under CEQA for geothermal exploratory projects, as provided.

AB 527 (Papan, 2025) among other provisions, this bill would have established a CEQA exemption for geothermal exploratory project. This bill was vetoed by the governor.

Staff Comments: According to DOC, in order to facilitate the evaluation of proposed and actual downhole wellbores, CalGEM would need specialized software. Currently

CalGEM uses Geographix for this type of work. This software would cost about \$10,000 per user per year and CalGEM would need to add 5 new users to implement this bill. Additionally, the new users would need training to utilize the software effectively. The appropriate training has a one-time cost of \$10,000 for up to 25 staff. This software can additionally be used to perform complex technical evaluations of geothermal projects and would provide ongoing support for the geothermal team. Total cost would be \$60,000 the first year with an ongoing cost of \$50,000. The cost could be decreased if the overall cost of the training is spread across multiple funding sources or if staff are able to use shared licenses.

Further, if this bill increases industry interest in pursuing EGS technologies, CalGEM would require a dedicated position to conduct research and technical reviews of new EGS technologies and to develop operating procedures for reviewing and permitting these new technologies. This position may also assist in the development of new regulations to further develop EGS requirements that reflect emerging technologies, as necessary.

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