
SENATE COMMITTEE ON BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT

Senator Dr. Aisha Wahab, Chair
2025 - 2026 Regular

Bill No:	AB 2516	Hearing Date:	June 29, 2026
Author:	Petrie-Norris		
Version:	June 25, 2026		
Urgency:	No	Fiscal:	Yes
Consultant:	Anna Billy		

Subject: California Grid Manufacturing Initiative

SUMMARY: Establishes the California Grid Manufacturing Initiative (Initiative) within the Energy Unit in the Governor’s Office of Business and Economic Development (Go-Biz), in coordination with various state entities, as specified, to aggregate statewide demand, coordinate procurement, and incentivize in-state manufacturing of critical electricity grid components.

NOTE: *This bill was heard in the Senate Committee on Energy, Utilities and Communications on June 24, 2026, and passed on a 13-3 vote.*

Existing law:

- 1) Establishes the Governor’s Office of Business and Economic Development (GO-Biz) within the Governor’s Office for the purpose of serving as the lead state entity for economic strategy and marketing of California on issues relating to business development, private sector investment and economic growth. (Government Code (GC) §§ 12096-12098.5)
- 2) Establishes the Bergeson-Peace Infrastructure and Economic Development Bank Act and creates the IBank. (GC § 63000 *et.seq.*)
- 3) Authorizes the IBank to make loans, issue bonds, and provide financial assistance for economic development and public development facilities. (GC § 63050 *et.seq.*)
- 4) Creates the Energy Unit within GO-Biz to accelerate the planning, financing, and execution of critical energy infrastructure projects that are necessary for the state to reach its climate, energy, and sustainability policy goals. (GC § 12100.110)

This bill:

- 1) Requires the Energy Unit in coordination with the PUC, the State Energy Resources Conservation and Development Commission also known as the California Energy Commission (CEC), the California Independent System Operator (CAISO), public utilities, and the California Infrastructure and Economic Development Bank (IBank), to establish the California Grid Manufacturing Initiative.
- 2) Requires the Energy Unit to determine and provide appropriate forms of state assistance to address identified delays with critical electricity grid components, to

incentivize new or existing in-state manufacturing of electricity grid components, and to provide support to joint procurements.

- 3) Requires PUC, in consultation with the CEC and the CAISO, and in a new or existing proceeding, to develop a process to identify critical electricity grid components and to assess the statewide need for critical electricity grid components for the next 10-year period, as soon as practicable. Requires the assessment to include identification of specific strategies to reduce delays and ratepayer costs associated with the procurement of critical electricity grid equipment. Requires PUC, at least once every five years, to update the identification and assessment.
- 4) States that, if electrical corporations are required to engage in a joint procurement of critical electricity grid components, as specified, not more than 12 months following the imposition of the requirement, the electrical corporations must take various mandatory steps. Authorizes the Energy Unit to provide assistance to projects that establish or expand manufacturing capacity in California for critical electricity grid components that includes but is not limited to engaging local public and private actors relevant to project development success; supporting efforts of the project applicant to secure necessary permits and other relevant authorities and; leveraging and coordinating all relevant state incentives and supply chain facilitation services to ensure timely and cost-effective acquisition of physical components of the project. Requires the Energy Unit to evaluate projects based the extent to which the project will further the state's clean energy goals, including by reducing delays and costs and the extent to which the project will create long-term high road employment in California. Requires Energy Unit assistance to be conditioned on measurable public benefits, including high road job creation, community benefits, workforce development, affordability, and capacity expansion.
- 5) Authorizes the Energy Unit to provide low-cost loans, credit enhancements, bond financing, or any other form of financial assistance through the IBank; advance purchase commitments or mandatory offtake agreements; site access, leasing of public land, or permitting assistance and; any other incentives determined by the Energy Unit. Requires the Energy Unit to ensure that production joint ventures are awarded through a transparent, competitive, and merit-based process, and are structured to protect public funds, ensure high road jobs, and deliver community benefits. Requires the Energy Unit to adopt conflict-of-interest policies governing employees and contractors involved in procurement decisions and joint venture negotiations, in accordance with the conflict-of-interest provisions of the Political Reform Act of 1974.
- 6) Requires the Energy Unit to submit an annual report to the Legislature detailing its efforts undertaken in support of the Initiative, manufacturing capacity added, ratepayer costs and savings, job benefits, and fiscal impacts.
- 7) Creates the California Grid Manufacturing Initiative Revolving Fund in the State Treasury to provide financial assistance for the initiative, moneys in the revolving fund are to be continuously appropriated, without regard to fiscal years, for expenditure in accordance with the initiative.

- 8) Authorizes IBank, on behalf of the Energy Unit, to provide financial assistance in connection with projects that establish or expand manufacturing capacity in California for critical electricity grid components. Authorizes IBank, on behalf of the Energy Unit, to issue taxable or tax-exempt revenue bonds to finance procurement and manufacturing of critical electricity grid components pursuant to the Initiative.
- 9) Makes findings and declarations about the following:
 - a) California's electric system depends on timely access to large power transformers, distribution transformers, and other critical electricity grid components to ensure reliability, affordable rate, wildfire resilience, emergency response and the achievement of the state's clean energy goals.
 - b) National and global supply chain constraints have resulted in extended lead times, elevated costs, and limited availability of critical electricity grid components.
 - c) Fragmented procurement and uncoordinated demand signaling by utilities and public agencies can increase market uncertainty and may inhibit investment in manufacturing capacity.
 - d) Coordinated demand aggregation, centralized procurement, advance market commitments, and targeted manufacturing incentives can reduce risk, lower costs, and expand supply for critical electricity grid components that are forecast in California energy planning processes.
 - e) In certain circumstances, market forces alone are insufficient to ensure adequate and timely supply, necessitating state-enabled intervention, including public-private partnerships.
 - f) Increased in state-manufacturing of critical electricity grid components holds the potential to supply a significant base of high-skill, high-paying jobs in California and equip the electrical grid for mass electrification.

FISCAL EFFECT: According to the Assembly Committee on Appropriations, the Energy Unit notes it has neither experience with nor expertise in the type of program this bill directs it to create. The Energy Unit identifies one-time costs unique to the first year as a \$2 million General Fund contract with an outside consultant to assess short-term and long-term needs for critical grid components, develop a study of the industry and market, and make recommendations. In addition, the Energy Unit anticipates costs in that first year and each year thereafter of \$960,000 (GF) for seven positions – a manager, five program analysts and an attorney – and a contract with an outside market advisor. The IBank notes it does not know the size of the market for electricity grid components procurement or manufacturing this bill authorizes it to finance. For this reason, IBank provides a low-end estimate of annual implementation costs, \$1.62 million (GF) for seven positions, and a high-end estimate of those costs, \$2.88 million (GF) for 13 positions. The IBank concludes it will also incur one-time costs of \$1.5 million (GF) for a contract with an outside consultant to study the current California manufacturing base and out-of-state manufacturers that might establish operations in California in response to the CGM Initiative. In addition, the IBank concludes it will need

to obtain an initial funding appropriation of \$500 million to \$1 billion (GF or some other source) to be used as leverage to secure outside funding or for direct loans.

COMMENTS:

1. **Purpose.** This bill is sponsored by the Author. According to the Author, “California’s electricity grid faces a supply chain crisis that is driving up costs for families, delaying critical renewable energy projects, and undermining our climate goals. National and global bottlenecks for essential grid equipment, particularly transformers, have caused lead times to stretch from weeks to years and prices to spike as much as 95 percent. AB 2516 establishes the California Grid Manufacturing Initiative to aggregate, statewide demand, coordinate procurement, and incentivize in-state manufacturing., thereby lowering costs, creating thousands of high-road jobs, and positioning California as a national leader in building the grid infrastructure our clean energy demands.”
2. **Background.** According to the U.S. Government Accountability Office’s 2023 report, *Electricity Grid: DOE Could Better Support Industry Efforts to Strengthen the Supply Chain for Large Power Transformers*, utilities face challenges obtaining large power transformers because of supply chain constraints, limited domestic manufacturing capacity, dependence on foreign suppliers, and long production lead times. GAO found that transformer availability affects grid resilience because large power transformers are difficult to replace quickly and are essential to transmitting electricity across the grid.

According to the U.S. Department of Energy’s 2023 *National Transmission Needs Study*, expanding transmission infrastructure could improve electric reliability, increase system resilience, and support growing electricity demand and the integration of new generation resources.

According to the CEC and PUC’s 2026 Joint Agency Reliability Planning Assessment, which relies on the 2024 Integrated Energy Policy Report Update Planning Forecast, annual electricity demand and summer peak demand are projected to increase substantially through 2034. The report projects that California’s peak electricity demand, the times when the most electricity is needed at once, will increase from about 46,000 megawatts in 2025 to 59,000 megawatts in 2034, driven primarily by electric vehicles, electrification of homes and buildings, and new data centers. The report also notes that meeting future reliability needs will require continued procurement of new energy resources while addressing permitting, financing, and supply chain challenges.

According to the California Council on Science and Technology’s 2025 report, *Key Challenges for California’s Energy Future*, California’s transition to a clean energy economy will require continued investment in transmission infrastructure, grid modernization, permitting, manufacturing capacity, and supply chain resilience. The report notes that achieving the state’s energy goals depends not only on developing new energy resources, but also on building the infrastructure needed to deliver electricity reliably.

GO-Biz. In February 2010, the Little Hoover Commission undertook a review of the state's economic and workforce development programs. In its final report, *Making up for Lost Ground: Creating a Governor's Office of Economic Development*, it analyzed the status and effectiveness of current programs since the 2003 demise of the Technology, Trade and Commerce Agency and recommended the creation of a new governmental entity to fill the void left by the dismantled agency.

The report called for a single entity that would promote greater economic development, foster job creation, serve as a policy advisor and deliver specific services (i.e., permitting, tax, regulatory, and other information) directly to the California business community. In April 2010, Governor Schwarzenegger issued Executive Order S-05-10 as a means to operationalize the report recommendations including the creation of the Governor's Office of Economic Development (GOED).

In October 2011, the Governor signed AB 29 (John A. Pérez, Chapter 475, Statutes of 2011), which effectively codified GOED and changed its name to GO-Biz. Since its inception, the office has served thousands of businesses, 95 percent of which are small businesses. The most frequent types of assistance include help with permit streamlining, starting a business, relocation and expansion of businesses, and regulatory challenges.

In March 2012, Governor Brown initiated a reorganization process to realign the state's administrative structure. Key changes include dismantling of the Business, Transportation and Housing Agency and the shifting of a number of key programs to GO-Biz including the Small Business Loan Guarantee Program, the California Travel and Tourism Commission, the California Film Commission, the Film California First Program, and the Infrastructure and Economic Development Bank (IBank). Currently, GO-Biz administers the following programs and units:

- Made In California program for the purpose of encouraging consumer product awareness and to foster the purchases of products manufactured in California.
- The California Inclusive Innovation Hub Program (iHub2) to incubate and/or accelerate technology and science-based firms, with a focus on underserved regions and communities.
- The California Competes Tax Credit Program under which “businesses who want to come to California or stay and grow in California” can receive an income tax credit.
- The California Business Investment Services Unit, which provides no-fee, tailored site selection services to employers and others who may be considering California for relocation or expansion.
- The California Business Portal, which provides information to California businesses about common questions, permitting, financial options, and more.

- The California Community Reinvestment Grants Program, which was included in Proposition 64, authorized GO-Biz to award grants to local health departments and certain nonprofit organizations to support communities disproportionately affected by the War on Drugs.
- Office of the Small Business Advocate which provides information and assistance to small businesses.
- The Zero Emission Vehicles (ZEV) Infrastructure Unit which works to accelerate the deployment of ZEV infrastructure.
- The International Affairs and Business Development Unit, which serves as California's primary point of contact for expanding international trade and investment relations. This unit focuses on foreign direct investment (services for foreign investors, foreign investment technical assistance, and the EB-5 Investor Visa Program), international trade promotion (STEP program, trade missions, export assistance, and the California-China Trade Office), and international agreements.

In 2022, GO-Biz established the Community and Place-Based Solutions Team (Team) to support local governments, non-profits, community-based organizations, colleges and universities, and other economic development partners in their community development needs. The Team provides key technical assistance for community and economic development planning. According to the Team's website, place-based economic development strategies are initiatives to encourage economic and community development activity in defined geographic areas. Many communities have started emphasizing place-based strategies to strengthen hyperlocal activities around physical place, economic conditions and social infrastructure. Place-based economic development strategies include a variety of approaches to incentivize investment in disadvantaged communities, including funding for infrastructure & public facilities, job creation & workforce development, affordable & workforce housing, and more.

IBank and Infrastructure Financing. According to its website, the California Infrastructure and Economic Development Bank (IBank) was created in 1994 to finance public infrastructure and private development projects that promote economic development and improve quality of life in California communities. Located within GO-Biz, IBank has authority to issue taxable and tax-exempt revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage state and federal funds. Current programs include the Infrastructure State Revolving Fund Loan Program, California Lending for Energy and Environmental Needs Center, Climate Catalyst Revolving Loan Fund, Small Business Finance Center, and Bond Financing Program.

3. **Arguments in Support.** Supporters contend that the bill presents a pragmatic and forward-looking strategy to address escalating equipment costs, severe supply chain bottlenecks, and the need to modernize aging infrastructure. Achieving the state's climate targets, maintaining reliability, and protecting ratepayers requires unprecedented investment in grid infrastructure. Supporters note that the initiative

achieves these goals by combining centralized procurement with investments in domestic manufacturing capacity, by leveraging bulk purchasing, unit costs reduce, and with long-term demand production expands. The authorization of public-private joint ventures when supply shortages or excessive costs persist help establish or expand California-based manufacturing facilities, increasing production capacity while strengthening competition in the market. Additionally, the utilization of self-sustaining financing models leverages lower-cost public financing tools while protecting the state's General Fund. Lastly, by improving supply availability, reducing price inflation, and accelerating grid deployment, the initiative is projected to generate approximately \$40 billion in ratepayer savings by 2040 with cumulative savings potentially reaching \$217 billion by 2050. In addition to lowering costs, the initiative would support economic development and workforce opportunities. The initiative is projected to create 12,500 full-time jobs, including approximately 5,000 high-road manufacturing jobs that provide family-sustaining wages and strong labor standards.

SUPPORT AND OPPOSITION:

Support:

Bluegreen Alliance
Building Decarbonization Action Fund
Building Decarbonization Coalition Action Fund
California Environmental Voters
California Federation of Labor Unions
California Forward
California Forward
California Green New Deal Coalition
California Labor for Climate Jobs
Central Valley Community Foundation
Climate Action California
Climate Action Campaign
Coalition of California Utility Employees
Communication Workers of America, District 9
Engineers and Scientists of California, IFPTE Local 20, AFL-CIO
Environmental Protection Information Center
IBEW Local 1245
Industrious Labs
International Brotherhood of Electrical Workers, Local 1245
International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America
Jobs to Move America
Los Angeles Alliance for a New Economy
Public Citizen
Rising Sun Center for Opportunity
Sierra Club California
Sylvatex, INC.
The Climate Center
The Environmental Protection Information Center
The Utility Reform Network

United Steelworkers District 12

Opposition:

None received

-- END --