SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1350 (McNerney) - Energy: renewable electrical generation facilities: definition

Version: April 28, 2026
Urgency: No
Hearing Date: May 14, 2026

Policy Vote: E., U. & C. 15 - 0, E.Q. 7 - 0
Mandate: Yes
Consultant: Ashley Ames

Bill Summary: This bill would expand the definition of "renewable electrical generation facility" to include facilities converting hydrogen gas to electricity in a turbine that meet specified criteria, thereby allowing them to qualify for the Renewable Portfolio Standard (RPS).

********** ANALYSIS ADDENDUM – SUSPENSE FILE **********
The following information is revised to reflect amendments adopted by the committee on May 14, 2026

Fiscal Impact:
- Ongoing costs, potentially in the hundreds of thousands of dollars annually (Energy Resources Program Account [ERPA]), for the California Energy Commission (CEC) to provide project technical analysis, develop program guidelines, perform process creation and facility eligibility determinations in the RPS program, and undertake reporting, data collection and analysis from energy data of facilities using eligible renewable fuels, among other things.

Committee Amendments: These amendments would include an hourly matching requirement as a backstop to federal tax credit requirements (which require hourly matching in 2030, but could be embowelled at any time by the Trump administration) and modify the provision relating to resource shuffling.

"Hourly matching" means that the production of hydrogen must match a clean power supply on an hourly basis to ensure that hydrogen production does not increase demand for fossil fuel generation. Hourly matching is an existing requirement under the Biden Tax Credit rules in place today that all parties seeking tax benefits must meet. However, there is concern that the Trump Administration may eliminate hourly matching as it has other Biden-era requirements. Committee amendments would provide a state backstop in case the existing federal requirement is abdicated. Specifically, committee amendments would require, for electrolytic production, that operators demonstrate that the hydrogen used by the facility was produced using electricity sourced from renewable electrical generation matched on an hourly basis, beginning January 1, 2030.

"Resource shuffling" can result in situations where more polluting electricity is generated as an indirect result of clean energy being used for the hydrogen. The recent amendments to SB 1350 would require that "the manufacture of the hydrogen does not result in resource shuffling, as determined by the California Air Resources Board (CARB), in alignment with existing regulation." Under the "existing regulation" referenced in SB 1350, procurement of RPS-eligible energy is automatically exempted

from being characterized as resource shuffling regardless of whether the seller procures substitute fossil generation to fill the gap resulting from the sale. This automatic exemption would preclude the CEC from evaluating whether renewable energy procurement to serve hydrogen production constitutes resource shuffling. Because the provision references only “existing” regulations, no alternative resource shuffling test could be applied even if CARB modifies its rules in the future. Committee amendments would address this issue by modifying the resource shuffling provision. These amendments would require that the manufacture of hydrogen pursuant to SB 1350 to not result in resource shuffling, as independently determined by the CEC based on the regional impacts of hydrogen production on zero-carbon generation, local air pollution, and fossil fuel generation, instead of by CARB in alignment with existing regulation.

These two changes would add guardrails to protect California’s RPS program, which is likely a substantial driver of emission reductions at a moderate cost per ton, and the substantial environmental and health benefits that come from it, such as improved air quality and reduced water usage. The monetized value of these benefits to the state is sizeable, and outweighs costs. But the cost-effectiveness of RPS is underpinned by its high standards for eligibility. Should we fail to maintain these standards, the result could be higher greenhouse gas emissions, more air pollution, greater use of limited natural resources, and decelerated progress towards our climate and clean energy goals. These impacts could increase state costs and cost pressures, especially if the state backfills foregone GHG emission reductions or spends more for clean air, water conservation, or environmental protection. The guardrails that committee amendments would establish could reduce or avoid such state costs while also preserving progress toward California’s clean energy goals.

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