Date of Hearing: June 22, 2026

ASSEMBLY COMMITTEE ON NATURAL RESOURCES
Isaac G. Bryan, Chair
SB 1350 (McNerney) – As Amended June 15, 2026

SENATE VOTE: 39-0

SUBJECT: Energy: renewable electrical generation facilities: definition

SUMMARY: Provides that a turbine converting hydrogen to electricity may be considered a renewable electric generating facility for purposes of the Renewables Portfolio Standard (RPS) if specified criteria are met.

EXISTING LAW:

1) Requires, pursuant to the RPS, utilities and other retail sellers of electricity to procure 60% of their retail electricity sales from eligible renewable energy resources by 2030 and thereafter, including interim targets of 33% by 2020, 44% by 2024, and 52% by 2027. (Public Utilities Code 399.11 *et seq*.)

2) Provides that RPS-eligible generation facilities must use biomass, solar thermal, photovoltaic, wind, geothermal, renewable fuel cells, small hydroelectric, digester gas, limited non-combustion municipal solid waste conversion, landfill gas, ocean wave, ocean thermal, or tidal current. (Public Resources Code 25741)

THIS BILL provides that a facility that converts hydrogen gas to electricity in a turbine is a renewable electrical generation facility for purposes of the RPS if it meets the following criteria:

1) The hydrogen used in the turbine is solely derived from an eligible renewable feedstock or through the electrolysis of water, and exclusively uses electricity generated from another renewable electrical generation facility. Provides that any fraction of hydrogen produced through use of nonrenewable fuels or nonrenewable electricity is not eligible.

2) The electricity used to derive the hydrogen is not also counted toward a RPS compliance obligation or claimed as renewable generation for any other state program.

3) The facility's turbine has the capacity to use a fuel for which hydrogen comprises a sufficient quantity of the blend by volume, as determined by the California Energy Commission (CEC), but not below 20% by volume, to achieve a measurable reduction in greenhouse gas emissions.

4) The operator of the facility has submitted information on the hydrogen production process, as specified by the CEC. For electrolytic production, the operator shall demonstrate, for the production process, hourly matching of hydrogen production with renewable energy generation starting January 1, 2030.

5) The manufacturing of the hydrogen does not result in resource shuffling, as independently determined by the CEC based on regional impacts of hydrogen production on zero-carbon generation, local air pollution, and fossil fuel generation.

6) The manufacturing of the hydrogen does not use unbundled renewable energy credits.

7) The use of the hydrogen results in a net decrease of air pollutants, as regulated by local air districts, and of greenhouse gases from the electrical sector.

8) The operator of the facility provides the CEC with confirmation from the local air district that the combustion of hydrogen will not increase the oxides of nitrogen emissions rate from the turbine compared to natural gas.

9) The hydrogen is physically delivered to the turbine.

FISCAL EFFECT: According to the Senate Appropriations Committee, ongoing costs, potentially in the hundreds of thousands of dollars annually (Energy Resources Program Account), for the 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.

COMMENTS:

1) **Background**. The environmental impacts of hydrogen use, including effects on climate and air quality, can range from very favorable to very unfavorable, depending on production, delivery, end use, and the fuel the hydrogen is replacing. For example, hydrogen produced with fossil fuels and used in a combustion application that replaces a renewable energy source is not a good environmental solution. However, hydrogen produced with zero-carbon energy and used in a zero-emission application that replaces diesel combustion has clear climate and air quality benefits.

   The source of the hydrogen and the source of the energy used to split hydrogen plays a significant role in determining the lifecycle emissions associated with hydrogen use. Green hydrogen, using 100% renewable electricity to split hydrogen from water molecules, can result in almost no greenhouse gas emissions. However, green hydrogen is relatively expensive and accounts for approximately 2% of total hydrogen production.

   Both California and the federal government have taken steps to encourage the development of cleaner hydrogen production. In 2021, the Infrastructure Investment and Jobs Act (IIJA) included $8 billion to the federal Department of Energy (DOE) to establish regional clean hydrogen hubs across the nation. In 2022, the Legislature passed AB 157 (Committee on Budget) Chapter 570, Statutes of 2022, which authorized Governor's Office of Business and Economic Development (GO-Biz) to take steps to prepare and submit an application to receive funding from the regional clean hydrogen hubs program. This legislation led to the establishment of California's clean hydrogen hub administrator, known as the Alliance for Renewable Clean Hydrogen Energy Systems (ARCHES). In July 2024, DOE announced a $1.2 billion award for ARCHES, with $30 million for the first round of funding.

   In addition to funding provided under the IIJA, the Inflation Reduction Act (IRA) provides a number of production tax credits for certain types of clean energy and manufacturing acceleration projects. The IRA tasked the federal Treasury Department with developing a federal tax credit to incentivize the production of clean hydrogen, otherwise known as the 45V production tax credit. The 45V tax credit is structured to provide up to a $3 tax credit

per kg of hydrogen produced, with higher credits granted to lower-carbon intensity (CI) hydrogen. In December 2023, the Treasury Department released its draft proposal, which included a version of the "three pillars," which are principles intended to ensure that hydrogen production supports decarbonization and does not result in an increase in emissions. Final regulations were released on January 3, 2025, and clarified that projects in states with clean energy policies and emissions caps – like California – are considered to meet the requirements of one pillar (incrementality).

However, since mid-2025, federal support for clean hydrogen has contracted significantly. The Trump administration cancelled the $1.2 billion DOE award for ARCHES, defunding California's hydrogen hub program. The future of the 45V production tax credit is also uncertain, with the credit's scope and longevity remaining the subject of ongoing Congressional debate. Compounding the uncertainty around 45V, H.R. 1 phases out the production tax credit (PTC) for solar and wind projects that do not begin construction by July 4, 2026, or are not placed in service by December 31, 2027, undermining the economics of the on-site renewable energy generation that many electrolytic green hydrogen projects depend upon to meet the 45V clean electricity sourcing requirements.

This bill expands the definition of a "renewable electrical generation facility" under the RPS to include turbines that convert hydrogen to electricity, where the hydrogen is produced from RPS-eligible feedstocks (e.g., biomass) or electrolysis, using exclusively RPS-eligible electricity. For electrolytic hydrogen, this bill requires hourly matching of hydrogen production with renewable energy generation starting in 2030 (consistent with the 45V requirement, as well as state law and CEC rules for retail sellers' power source disclosure, which requires electricity generators to provide hourly scheduling data).

This bill is largely motivated by Element Resources' Lancaster Clean Energy Center (LCEC), which they describe as one of "the largest off-grid solar-powered green hydrogen plants in the U.S." According to their materials, LCEC is proposed to be fully islanded (not grid connected), reliant on ~690 MW onsite solar and ~350 MW-hour storage to power a ~400 MW electrolyzer plant, and will deploy zero-emissions trucks to carry the hydrogen to consumers. Such a facility could be eligible for the 45V tax credits for the hydrogen production, as well as tax credits for the onsite solar and batteries. As noted above, recent federal changes have initiated the phase out of the PTC (45Y) for solar and wind projects that do not begin construction by July 4, 2026, or are not placed in service by December 31, 2027. LCEC has met the July 4 "begin construction" date, starting construction in December 2025, but now must continuously demonstrate construction at the facility to assure compliance with the new tax law. Element Resources has indicated without a clear path toward financing the project – i.e., signing offtake agreements – they cannot continue to spend on ongoing construction requirements. Making the LCEC hydrogen RPS-eligible, as proposed by this bill, would make it more valuable and attractive to retail sellers facing RPS compliance obligations, particularly publicly-owned utilities like LADWP that own natural gas power plants.

2) **Author's statement**:

> California has committed to reaching 100% clean energy by 2045. Clean hydrogen made from renewable sources, is a clean and safe fuel source that can be used to transition some of our existing energy infrastructure into clean energy infrastructure – reducing

costs of the energy transition for ratepayers, helping better integrate renewables, and providing good union jobs in the process. SB 1350 will help California meet its clean energy goals by allowing power plants to get Renewables Portfolio Standard credit while using green hydrogen to power their turbines – as they currently do when they use biogas, and as fuel cells do when they use hydrogen. This will stimulate investment in clean hydrogen projects in California that will decarbonize both the power system and transportation system.

3) **Double referral**. This bill was heard by the Utilities and Energy Committee on June 10 and passed by a vote of 18-0.

REGISTERED SUPPORT / OPPOSITION:

Support

California Hydrogen Business Council
California Municipal Utilities Association
Green Hydrogen Coalition
State Building & Construction Trades Council of California

Opposition

California Environmental Justice Alliance (CEJA) Action
Climate Action California
Sierra Club
Union of Concerned Scientists

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