

SENATE THIRD READING
SB 1350 (McNerney)
As Amended June 23, 2026
2/3 vote. Urgency

SUMMARY

Provides that a facility that converts hydrogen gas to electricity in a turbine may be a renewable electrical generation facility for purposes of eligibility under the Renewables Portfolio Standard (RPS) Program, if certain conditions are met.

Major Provisions

Specifically, *this bill* requires the qualifying hydrogen-fueled turbines to meet the following criteria:

- 1) The hydrogen used in the turbine is solely derived from both:
 - a) Either an RPS-eligible resource (biomass, digester gas, landfill gas, etc.) or through the electrolysis of water, and
 - b) Exclusively uses electricity generated from another renewable electrical generation facility.
- 2) Provides that any fraction of hydrogen produced through use of nonrenewable fuels or nonrenewable electricity is not eligible.
- 3) 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.
- 4) The facility provides the California Energy Commission (CEC) with confirmation from the air quality management district or air pollution control district that the facility's turbine has the capacity to use a fuel for which hydrogen comprises a sufficient quantity of the blend by volume, but not below 20% by volume, to achieve a measurable reduction in greenhouse gas emissions.
- 5) 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.
- 6) 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.
- 7) The manufacturing of the hydrogen does not use unbundled renewable energy credits.
- 8) The facility provides the CEC with confirmation from the local the air quality management district or air pollution control district that the combustion of hydrogen will result in a net decrease of air pollutants and of greenhouse gas emissions from the electrical sector and 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.

COMMENTS

Existing law requires every load-serving entity (LSE) – electric utilities, community choice aggregators, electric service providers – and every electric publicly owned utility (POU) to procure progressively greater proportions of electricity from renewable electrical generation facilities so that, by the end of 2030, at least 60% of total retail sales of electricity in California come from such facilities. This is known as the RPS.

Statute charges the CEC with certifying an electrical generation facility as a renewable electrical generation facility, the electricity from which may count towards an LSE's and POU's RPS obligation. Statute defines a facility that may be an eligible renewable electrical generation facility under the RPS Program as one that, among other things, uses biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells using renewable fuels, small hydroelectric generation of 30 megawatts or less, digester gas, municipal solid waste conversion, landfill gas, ocean wave, ocean thermal or tidal current.

California has recognized a role for hydrogen, especially hydrogen produced solely from non-greenhouse gas (GHG)-emitting resources, in enabling the state to meet its ambitious clean energy goals. Nonetheless, the statutory list of potentially RPS-eligible renewable electrical generation facilities does not include one that uses hydrogen gas, even if the hydrogen is produced using electricity that, itself, was generated by an RPS-eligible renewable electrical generation facility ("renewable" hydrogen). Nor does the list include a turbine that generates electricity by burning hydrogen gas, regardless of how the hydrogen was generated.

In response to significant federal funding (since cancelled) and federal production tax credits (largely still available), several projects have begun development in California to produce hydrogen using RPS-eligible electricity resources. One such project is in Lancaster in Los Angeles County. Project developer Element Resources Inc. urges a statutory change to allow "renewable" hydrogen to qualify for RPS eligibility, asserting that such a change will "enable Element Resources to provide substantial renewable hydrogen to help the State meet its climate goals."

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 POUs like LADWP that own natural gas power plants.

According to the Author

According to the author, "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."

Arguments in Support

The bill is sponsored by the Green Hydrogen Coalition and supported by a coalition of hydrogen developers, utilities (both public and private), natural gas and propane gas associations, and the State Building and Construction Trades. The Green Hydrogen Coalition notes the cancelation of significant federal funding necessitates this statutory change, and points to the power sector as the only venue able to scale (i.e., pay for) renewable hydrogen in the near term. The Trades note that adoption of this bill soon "would allow several projects to begin construction in time to take advantage of the fleeting tax incentives putting thousands of our members to work."

Arguments in Opposition

Several environmental advocacy organizations oppose the bill, which together assert the bill "will have negative consequences for public health" and that inclusion of hydrogen as RPS-eligible "threatens to disrupt this transition by providing a new incentive for fossil-fueled power plants," warning that "Combustion turbines emit nitrogen oxides (NOx) regardless of whether they burn hydrogen or methane."

FISCAL COMMENTS

According to the Assembly Committee on Appropriations, this bill will likely require resources in the mid to high hundreds of thousands of dollars annually to the CEC to implement.

VOTES**SENATE FLOOR: 39-0-1**

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ABS, ABST OR NV: Dahle

ASM UTILITIES AND ENERGY: 18-0-0

YES: Petrie-Norris, Patterson, Boerner, Calderon, Chen, Davies, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz, Ta, Wallis, Zbur

ASM NATURAL RESOURCES: 14-0-0

YES: Bryan, Ellis, Alanis, Connolly, Garcia, Haney, Hoover, Kalra, Macedo, Muratsuchi, Pellerin, Schultz, Wicks, Zbur

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

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