

Date of Hearing: June 22, 2026

ASSEMBLY COMMITTEE ON NATURAL RESOURCES

Isaac G. Bryan, Chair

SB 887 (Padilla) – As Amended May 18, 2026

**SENATE VOTE:** 29-9

**SUBJECT:** California Environmental Quality Act: environmental leadership development projects: data centers: clean energy powerplant projects

**SUMMARY:** Provides that the California Environmental Quality Act (CEQA) applies to data center projects, as defined. Adds data center projects meeting specified conditions and geothermal projects to existing judicial streamlining provisions for Environmental Leadership Development Projects (ELDPs).

**EXISTING LAW:**

- 1) CEQA requires lead agencies with the principal responsibility for carrying out or approving a proposed project to prepare a negative declaration, mitigated negative declaration, or environmental impact report (EIR) for this action, unless the project is exempt from CEQA (CEQA includes various statutory exemptions, as well as categorical exemptions in the CEQA guidelines). (Public Resources Code (PRC) 21000 *et seq.*)
- 2) CEQA applies to discretionary projects proposed to be carried out or approved by public agencies, including the enactment and amendment of zoning ordinances, the issuance of zoning variances, the issuance of conditional use permits, and the approval of tentative subdivision maps, unless the project is exempt from CEQA. CEQA does not apply to ministerial projects proposed to be carried out or approved by public agencies. (PRC 21080)
- 3) Requires the CEQA guidelines to include a list of classes of projects that have been determined not to have a significant effect on the environment and that shall be exempt from CEQA (i.e., “categorical exemptions”). The categorical exemptions are subject to exceptions to ensure eligible projects do not have a significant effect on the environment, including when cumulative impacts of successive projects of the same type in the same place may result in significant effect or there is a reasonable possibility that the project will have a significant effect due to unusual circumstances. (PRC 21084)
- 4) Establishes procedures for expedited administrative and judicial review (i.e., limiting public comments, requiring preparation of the record concurrently with the administrative process, and requiring the courts to resolve lawsuits challenging CEQA or other approvals within 270 days from the date the certified record is filed with the court, to the extent feasible) for ELDPs certified by the Governor and meeting specified conditions, including Leadership in Energy and Environmental Design (LEED) certified infill site projects, housing projects, clean renewable energy projects, and clean energy manufacturing projects. (PRC 21178 *et seq.*)
- 5) SB 149 (Caballero), Chapter 60, Statutes of 2023, establishes procedures for expedited administrative review (i.e., concurrent preparation) and judicial review (i.e., requiring the

courts to resolve lawsuits within 270 days, to the extent feasible) for four categories of public and private infrastructure projects, including geothermal projects. (PRC 21189.80 *et seq.*)

- 6) AB 205 (Budget Committee), Chapter 61, Statutes of 2022, authorizes additional facilities not subject to the California Energy Commission (CEC) thermal powerplant licensing process to opt-in to a CEC process for expedited CEQA review, in lieu of review by the appropriate local lead agency. Geothermal projects are eligible for these opt-in permitting procedures. (PRC 25545 *et seq.*)

**THIS BILL:**

- 1) Requires, notwithstanding any other law, that CEQA applies to the issuance of entitlements related to the development and operation of a data center.
- 2) Prohibits a categorical exemption for a project proposed to be carried out or approved by a public agency in furtherance of the development and operation of a data center.
- 3) Defines, for purposes of these provisions, “data center” as a large-scale energy consumer that requires uninterruptible electricity to serve a facility housing servers and related equipment and software for the processing, storage, and distribution of data, excluding any of the following:
  - a) A publicly funded research facility.
  - b) A public safety facility.
  - c) A national security facility.
  - d) A publicly owned facility.
  - e) Other utility facilities, including, but not limited to, an asset of a facilities-based telecommunications provider.
- 4) Provides that a data center project is an ELDP if it is certified by the lead agency to meet all the following conditions:
  - a) Pays the full cost of interconnection to prevent cost shifts to other ratepayers.
  - b) Does not increase fossil fuel consumption within the state.
  - c) Includes zero-carbon energy storage with at least four hours of capacity at 100% of forecasted peak demand for the facility.
  - d) Uses onsite zero-carbon energy storage to provide demand response services to the electrical grid.
  - e) Relies on zero-carbon generation located behind the meter to the maximum extent feasible.

- f) Recovers fully from the data center operator all electrical grid investments, including costs of new generating capacity, to serve the data center in the event the data center ceases operations.
  - g) Uses recycled water and water-efficient technology or waterless cooling systems.
  - h) Will rely on 100 percent zero-carbon electricity resources to serve hourly energy needs within five years of initial operations, of which 75 percent shall be newly developed.
  - i) Will meet specified requirements regarding avoidance and mitigation of impacts in a disadvantaged community.
  - j) Enters into one or more legally binding and enforceable community benefits agreement with community-based organizations.
  - k) Meets specified requirements regarding construction labor per AB 205.
- 5) Requires the CEC to develop uniform statewide standards for these conditions, require regular compliance reporting by the operators of the data centers, and initiate enforcement proceedings in the event of noncompliance with those standards, as appropriate, that may result in the imposition of administrative civil penalties.
- 6) Defines, for purposes of these ELDP provisions, “data center” as a commercial facility primarily used to house computer servers and associated equipment for processing, storing, or transmitting data.
- 7) Provides that a geothermal powerplant is an ELDP if it is certified by the lead agency to meet both of the following conditions:
- a) Meets the criteria for an eligible renewable energy resource, excluding resources that combust biomass fuels.
  - b) Meets specified requirements regarding construction labor per AB 205.
- 8) Makes related findings.

**FISCAL EFFECT:** According to the Senate Appropriations Committee:

- The CEC estimates ongoing costs of approximately \$1.5 million annually (Energy Resources Program Account (ERPA) or General Fund) for seven positions to implement the requirements of this bill. The CEC notes that there is no funding source identified in the bill, and that, because of the ongoing structural deficit within ERPA, it may not be an appropriate fund source to support the implementation of this bill.
- The Governor’s Office of Land Use and Climate Innovation (LCI) estimates one-time costs of about \$1 million spread over two years (General Fund) to facilitate the inclusion of data centers and geothermal powerplants into the judicial streamlining program.

- The California Public Utilities Commission (CPUC) anticipates any costs would be minor and absorbable.
- To the extent the Attorney General successfully brings civil action against reporting entities in violation of the provisions of this bill, potential increases in state revenues of an unknown amount due to the collection of civil penalties.

## COMMENTS:

- 1) **Background.** Data centers house the equipment used to process, store, and transmit digital information. Explosive growth in data centers has significant implications for the environment, as data centers consume huge amounts of energy and water resources, which can result in environmental impacts.

According to a U.S. Department of Energy publication produced by Lawrence Berkeley National Laboratory, data centers consumed about 4.4% of total U.S. electricity in 2023. Data centers are expected to consume approximately 6.7 to 12% of total U.S. electricity by 2028. Data centers that serve AI customers are particularly large electricity consumers within the data center sector.

Depending on the source of all that energy, data centers could have an impact on air pollution and greenhouse gas emissions. Data centers can also lead to localized air pollution from backup power sources at the facilities.

Data centers consume water directly, using it for cooling, and also use water indirectly as part of their energy generation. Water use by data centers can strain local and regional water supplies and adversely impact ecosystems. Researchers at UC Riverside estimate that statewide on-site data center water consumption in California will balloon from 351 million gallons in 2019 to between 1.12 and 1.75 billion gallons by 2028.

While there is not an explicit CEQA exemption for data centers, and it seems unlikely that a class of projects with the scale and potential impacts of data centers would ever qualify for a categorical exemption, the application of CEQA to data center projects has been called into question by at least two recent developments.

First, last year's passage of the CEQA exemption for advanced manufacturing projects, with its vague definitions, has given rise to as yet untested claims that a data center project could qualify as advanced manufacturing.

Second, Imperial County has taken steps toward facilitating a large data center project adjacent to the City of Imperial, including a grading permit and parcel consolidation, via ministerial approval. In this case, the City has sued the County, alleging improper application of ministerial approval and asserting that the project requires rezoning and a conditional use permit, and therefore could not qualify for a CEQA exemption.

**2) Author's statement:**

Data centers are being built at breakneck speed without adequate guardrails, creating air quality, water supply, and energy supply challenges for local communities across the country. Imperial county, which has one of the highest unemployment rates in the state, is currently evaluating multiple proposed hyperscale projects that could transform the region. This could bring substantial economic development to the region, but if done incorrectly, could have disastrous impacts on public health and energy costs. This measure incentivizes good neighbor data center development for projects that support California's grid and the communities in which they are built.

3) **Double referral.** This bill has been double-referred to the Utilities and Energy Committee.

**REGISTERED SUPPORT / OPPOSITION:****Support**

350 Humboldt  
350 Sacramento  
Audubon California  
Ceres  
City of Imperial  
Climate Action California  
Climate Reality Project, San Fernando Valley Chapter  
Climate Reality Project, Los Angeles Chapter  
Net-Zero California  
The Utility Reform Network (TURN)

**Opposition**

Associated General Contractors, California Chapters  
Bay Area Council  
California Chamber of Commerce  
CalAsian Chamber of Commerce  
California African American Chamber of Commerce  
California Hispanic Chambers of Commerce  
California Manufacturers & Technology Association  
Data Center Coalition  
Silicon Valley Leadership Group  
TechCA  
TechNet

**Analysis Prepared by:** Lawrence Lingbloom / NAT. RES. /