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

SB 940 (Grove) - Geologic Energy Management Division: New Technology Program: oil and gas wells: geothermal wells

Version: April 23, 2026
Urgency: No
Hearing Date: May 11, 2026

Policy Vote: N.R. & W. 6 - 0
Mandate: No
Consultant: Ashley Ames

Bill Summary: This bill would establish the New Technology Program within the Geologic Energy Management Division in the Department of Conservation (CalGEM) to facilitate evaluation of repurposing oil and gas or geothermal wells for renewable-energy-related purposes.

Fiscal Impact:

- Significant ongoing costs, likely at least in the millions of dollars annually (Oil and Geothermal Gas Account [OGGA]), for CalGEM to implement and administer the New Technology Program. See staff comments for details.
- The State Water Board estimates ongoing costs of approximately $500,000 annually (OGGA) to coordinate with CalGEM on implementation of the New Technology Program, assist with evaluating the repurposing of up to 250 oil and gas or geothermal wells for renewable energy storage or generation, and support CalGEM in providing annual reports to the Legislature. In addition, there could be costs to the State Water Board for any enforcement actions necessary against operators of experimental wells that are part of the program.
- Potentially significant ongoing cost pressure, possibly in the millions of dollars or more annually (OGGA or other special fund), to provide funding for the repurposing of wells under the New Technology Program, especially if new technologies were to emerge.
- Unknown, potentially significant ongoing costs (OGGA) for the California Air Resources Board (CARB) to provide air monitoring and emissions accounting, subject matter expertise, or support for the program.
- Staff notes that the bill contains a cost recovery provision, and that some of these identified costs could eventually be offset by fee revenues.

Background:

CalGEM and wells under its jurisdiction CalGEM is the state's regulator of both oil and gas wells and geothermal wells. Oil and gas wells and geothermal wells are largely governed by different provisions in state law and regulation (see Public Resources Code (PRC) §§3000 – 3473, and §§3700 – 3776, and Title 14, California Code of Regulations, §§1712 *et seq*., and §§1900 – 1982). The later geothermal resources law is largely modeled on, but distinct from, oil and gas conservation law. The State Oil and Gas Supervisor, CalGEM's leader, exercises broad authority over both oil and gas wells and geothermal wells.

In addition, oil and gas injection wells and geothermal resources wells are under the jurisdiction of the US Environmental Protection Agency (US EPA) and its Underground Injection Control (UIC) Program regulations promulgated to protect underground sources of drinking water following the federal Safe Drinking Water Act (SDWA) becoming law in 1974. CalGEM received "primacy" from the US EPA for Class II UIC wells for oil and gas-related injection wells as its regulations were deemed essentially as protective as federal requirements. Injection wells for enhanced oil recovery are generally used to inject water, steam, or other fluid into the oil reservoir to help mobilize the oil and facilitate its production, particularly when a reservoir is increasingly depleted. Geothermal wells are a different UIC class (Class V), which the state does not have primacy delegated to it for. However, the US EPA and CalGEM have a Memorandum of Agreement governing their cooperation on geothermal wells.

UIC aquifer exemptions. As part of its primacy application for Class II wells, CalGEM asked to exempt certain aquifers from protection under the SDWA. These "exempt aquifers" were not or could not become underground sources of drinking water (USDWs), as defined (see Title 40, Code of Federal Regulations (40 CFR), §146.4). In general, these aquifers were co-located within the then-existing boundaries of an oil and gas field; were hydrocarbon-producing, mineral-producing, or geothermal resources-producing; or were already being used for oil and gas wastewater injection. The US EPA must approve any additional requests for aquifer exemption status, and no injection is allowed into an aquifer containing potentially good quality water without first obtaining exempt status, among other provisions.

CalGEM and the State Water Board are required to work closely together on aquifer exemptions. After CalGEM and the applicant have developed an aquifer exemption package, the SWRCB reviews it and may recommend modifications. CalGEM and the SWRCB seek consensus, and then a public process is required to occur prior to submittal to the US EPA for approval. The aquifer exemption process is a multi-year process. Since the 2015 scandal when it became public that 1,000s of oil and gas wells were injecting into aquifers that had not yet received exemptions, dozens of aquifer exemptions have been approved to bring the Class II UIC program into compliance with federal requirements.

Proposed Law: This bill would establish the New Technology Program within CalGEM to facilitate evaluation of repurposing oil and gas wells or geothermal wells for renewable energy storage or generation purposes. It would also:

1. Require the Oil and Gas Supervisor to approve or deny project proposals from operators to repurpose oil and gas wells or geothermal wells for energy storage or renewable energy generation, including synthetic geothermal resources, as provided.

2. Require, upon approval of a project by the supervisor, the oil and gas wells or geothermal wells that are part of the project to be designated as experimental wells, as defined, for the duration of the project.

    a. Impose an annual charge on operators of experimental wells to defray the regulatory costs incurred by the state, as provided.

   b. Require the proceeds of the annual charge to be deposited into OGGAF.

3. Require CalGEM to, on or before an unspecified date, and annually thereafter, report to the Legislature on program activities for the preceding calendar year, highlighting accomplishments and including recommendations for statutory and regulatory changes to more readily achieve program goals.

Related Legislation:

SB 567 (Limón, Chapter 419, Statutes of 2025) established the Gravity-Based Energy Storage Well Pilot Program at CalGEM which involves the re-purposing of oil and gas wells, as provided.

AB 527 (Papan, 2025) would have provided for the development of regulations by CalGEM specific to enhanced geothermal resources and provided an exemption from the California Environmental Quality Act for certain geothermal exploratory projects, among other provisions. (*This bill was vetoed by Governor Newsom*.)

SB 1433 (Limón, 2024) would have established the Gravity-Based Energy Storage Well Pilot Program at CalGEM, as provided. (*This bill was held on suspense in the Assembly Appropriations Committee*.)

SB 1304 (Limón, Chapter 467, Statutes of 2025) revised the statutory process conducted by CalGEM and the SWRCB for aquifer exemptions, including public disclosure and public meeting requirements, as provided.

Staff Comments: According to the Department of Conservation, CalGEM would need future positions and resources to develop the guidelines for this new program and effectively evaluate and regulate these wells. There are no known existing technologies that have not been proven to scale. However, given the proposed framework, new technologies may emerge. Future funding needs would be dependent upon a variety of factors, including the type of technology and well location.

For context, a similar but substantially smaller measure passed last year, SB 567 (Limón, Ch. 419, Stats. 2025), was estimated to cost $3.7 million annually for program implementation with additional cost pressures likely in the millions of dollars annually. SB 567 established a gravity-based energy storage well pilot program within CalGEM and allowed the Supervisor to authorize the conversion of oil and gas wells to gravity-based energy storage wells through January 1, 2035. That bill included only one technology.

SB 940 would likely cost much more, as it would establish a permanent program and not a pilot and it would not be limited to one technology but likely encompass several.

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