

AMENDED IN SENATE JUNE 28, 2012

AMENDED IN SENATE JUNE 4, 2012

AMENDED IN SENATE JUNE 22, 2011

AMENDED IN ASSEMBLY APRIL 27, 2011

AMENDED IN ASSEMBLY MARCH 31, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 642

Introduced by Assembly Member Charles Calderon

February 16, 2011

An act to add Chapter 8.65 (commencing with Section 25752) to Division 15 of the Public Resources Code, relating to renewable energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 642, as amended, Charles Calderon. Renewable energy: biomass: algae.

Existing law requires the State Energy Resources Conservation and Development Commission to administer the Renewable Energy Resources Program, which provides financial assistance for the development of renewable electricity generation facilities, including facilities that use biomass.

This bill would enact the Salton Sea Stabilization and Agricultural Cultivation Act, which would authorize the Secretary of the Natural Resources Agency to establish an Algae Production Program in the Imperial Valley to meet high-priority economic and environmental goals, expedite regulatory application and review processes, and provide grants to facilitate research and the commercial development of algae

for fuels, foods, medicines, and clean water within the state. The bill would further authorize the secretary to provide grants to eligible research institutions and commercial enterprises for research and demonstration projects leading to the commercial development of algae. *The bill would require a commercial enterprise for a demonstration project, to be eligible for a grant, to agree to a royalty or other revenue arrangement. The bill would require royalties and revenues received to be deposited into the Algae Production Program Fund, which is created by this bill.* The bill would require the secretary, in consultation with the Secretary of Business, Transportation and Housing, the Secretary of Food and Agriculture, the Chairman of the State Air Resources Board, and the Governor’s Tribal Advisor, if an algae production program is established pursuant to the bill, to publish a report, no later than ~~May 1, 2013~~; *July 1, 2013*, that enumerates the environmental and economic benefits of the algae industry, and contains specified recommendations. The bill would also require the secretary by ~~May 1, 2013~~; *July 1, 2013*, to ~~publish a rule establishing an~~ *initiate the rulemaking process for the Algae Production Program* and a process for the application, review, and issuance of grants, and, no later than ~~July 1, 2013~~; *July 1, 2014*, to publish a final rule to implement recommendations contained in the above-described report.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 8.65 (commencing with Section 25752)
 2 is added to Division 15 of the Public Resources Code, to read:
 3
 4 CHAPTER 8.65. SALTON SEA STABILIZATION AND AGRICULTURAL
 5 ALGAE CULTIVATION
 6
 7 25752. This act shall be known, and may be cited, as the Salton
 8 Sea Stabilization and Agricultural Algae Cultivation Act.
 9 25752.1. The Legislature finds and declares all of the following:
 10 (a) The Salton Sea is a critical environmental and economic
 11 resource located in the Imperial and Coachella Valleys.
 12 (b) The deteriorating condition of the Salton Sea endangers
 13 important wildlife habitat and results in serious unhealthful fine
 14 particulate air pollution.

1 (c) The State of California has previously obligated itself to
2 protect the long-term health of the Salton Sea.

3 (d) A multiagency task force previously estimated the cost of
4 the “preferred solution” for the Salton Sea to be more than nine
5 billion dollars (\$9,000,000,000) in one-time costs, in addition to
6 significant ongoing operational costs.

7 (e) The development of agricultural algae cultivation on the
8 periphery of the Salton Sea ~~is~~ *may be* a more cost-effective means
9 by which to meet the state’s obligation to protect the Salton Sea.

10 (f) The State of California is uniquely and timely poised to
11 assume national leadership in full-scale production of algal biofuels
12 and parallel advancement in algal biofuel technology.

13 (g) Initiating the algae program ~~will~~ *may* have the immediate
14 benefit of reducing fine particulate air pollution.

15 (h) Commercial development of algae has the potential for
16 significant value as a source for fuels, foods, medicines, and clean
17 water.

18 (i) The United States Navy has significant facilities in the
19 Imperial Valley and has expressed its interest in being a customer
20 for algae-derived energy products.

21 ~~(j) The University of California, and, specifically, the Scripps
22 Institution of Oceanography and the San Diego Center for Algal
23 Biofuels at the University of California, San Diego, Many of
24 California’s public and private colleges and universities~~ have
25 engaged in much of the research and development activities that
26 are now leading to the commercial deployment of agricultural
27 algae production in other parts of the country and the world.

28 (k) The designation of the Salton Sea Agricultural Algae
29 Cultivation District (AACD) could produce an affordable solution
30 to the serious Salton Sea environmental challenges.

31 ~~(l) The designation of the AACD~~ *will should* encourage a
32 potentially important new industry developed in California to
33 deploy on a commercial scale in California and provide a
34 significant source of future revenue for the State of California in
35 the form of royalties or other revenue sharing similar to the state’s
36 off-shore oil revenue sharing funds.

37 25752.2. (a) The Secretary of the Natural Resources Agency
38 may establish an Algae Production Program in the Imperial Valley
39 to meet high-priority economic and environmental goals, expedite
40 regulatory application and review processes, and provide grants

1 to facilitate research and the commercial development of algae for
2 fuels, foods, medicines, and clean water within the state.

3 (b) The secretary may provide grants to eligible research
4 institutions and commercial enterprises for research and
5 development projects and demonstration projects intended to lead
6 to the commercial development of algae under subdivision (a).
7 ~~The demonstration~~ projects shall be sited within the Agricultural
8 Algae Cultivation District, as designated by the secretary, at the
9 Salton Sea ~~and. Demonstration projects by commercial enterprises~~
10 shall do all of the following, *and the secretary shall give preference*
11 *to research and development projects by research institutions that*
12 *would do one or more of the following:*

13 (1) Improve air quality by reducing fine particulates originating
14 in the dry sea bed.

15 (2) Improve water quality in the Salton Sea that will, in turn,
16 stabilize marine habitats for fish and migratory birds.

17 (3) Reduce use of ~~potable~~ water for crop farming.

18 (4) Present new options for the state's restoration plan of the
19 Salton Sea.

20 (5) Demonstrate the scalability of agricultural algae cultivation
21 and production and the revenue potential to the state.

22 (c) The secretary, in consultation with the Secretary of Business,
23 Transportation and Housing, the Secretary of Food and Agriculture,
24 ~~the Chairman~~ *Chairperson* of the State Air Resources Board, and
25 the Governor's Tribal Advisor, if an algae production program is
26 established pursuant to this chapter, shall publish a report no later
27 than ~~May 1, 2013, July 1, 2013,~~ that enumerates the environmental
28 and economic benefits of the algae industry and provides
29 recommendations on all of the following:

30 (1) The creation of algae production zones.

31 (2) The expedited application and review of state and local
32 regulatory and permitting requirements for research and
33 development facilities and commercial scale-up facilities, including
34 requirements imposed by the California Environmental Quality
35 Act (Division 13 (commencing with Section 21000)).

36 (3) The use of state lands for facilities.

37 (4) Access to infrastructure including roads, electricity, water
38 delivery, and carbon dioxide.

39 (5) Use of water and waste products.

40 (6) Tax incentives.

- 1 (7) Loan guarantees.
- 2 (8) State procurement of commercial algae products.
- 3 (9) Insurance underwriting.
- 4 (10) Waivers of liability for seismic, flooding, and other natural
- 5 events.
- 6 (11) Revenue and royalty sharing for commercial production.
- 7 (12) *The sufficiency of the secretary's authorities to implement*
- 8 *an algae production program and how to address any deficiencies*
- 9 *of those authorities.*
- 10 (13) *How to ensure consistency with a Salton Sea restoration*
- 11 *program authorized by the Legislature.*
- 12 (d) If an algae production program is established pursuant to
- 13 this chapter, the secretary shall ~~publish a rule establishing an~~
- 14 *initiate the rulemaking process for the Algae Production Program*
- 15 *and a process for the application, review, and issuance of grants*
- 16 *under subdivision (b) no later than ~~May 1, 2013~~ July 1, 2013.* The
- 17 *secretary shall publish a final rule to implement recommendations*
- 18 *of the report described under subdivision (c) no later than ~~July 1,~~*
- 19 *2013 July 1, 2014.*
- 20 (e) ~~An organization~~ *A commercial enterprise, to be eligible for*
- 21 *a grant under subdivision (b) shall for a demonstration project,*
- 22 *shall meet all of the following requirements:*
- 23 (1) Be incorporated as a business authorized to do business in
- 24 the state.
- 25 (2) Provide matching funds for the proposed project.
- 26 (3) Certify use of state funds solely for the proposed project
- 27 sited with the state.
- 28 (4) Demonstrate the proposed project will have substantial
- 29 environmental and economic benefits to the state.
- 30 (5) Identify a customer or customers for the product to be
- 31 developed.
- 32 (6) Agree to a royalty or other revenue *sharing* arrangement
- 33 ensuring the state's ongoing financial participation in commercially
- 34 viable operations in the Agricultural Algae Cultivation District.
- 35 (f) *A research institution, to be eligible for a grant under*
- 36 *subdivision (b) for a research and development project, shall meet*
- 37 *all of the following requirements:*
- 38 (1) *Be a nonprofit or educational research institution or*
- 39 *consortia.*
- 40 (2) *Provide matching funds for the proposed project.*

1 (3) *Certify use of state funds solely for the proposed project*
2 *sited with the state.*

3 (4) *Demonstrate how the proposed project will help lead to the*
4 *commercial development of algae for fuels, food, medicines, and*
5 *clean water within the state.*

6 (g) *Royalties and revenues collected by the state pursuant to*
7 *paragraph (6) of subdivision (e) shall be deposited in the Algae*
8 *Production Program Fund, which is hereby created. Moneys*
9 *deposited in the fund shall be available, upon appropriation by*
10 *the Legislature, for programs and projects that will aid in*
11 *restoration of the Salton Sea.*

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