

AMENDED IN ASSEMBLY JUNE 10, 2014

AMENDED IN SENATE APRIL 29, 2014

AMENDED IN SENATE APRIL 10, 2014

SENATE BILL

No. 1121

Introduced by Senator De León

February 19, 2014

An act to add Part 11.5 (commencing with Section 15880) to Division 3 of Title 2 of the Government Code, relating to state government. An act to add Chapter 5 (commencing with Section 26100) to Division 16 of the Public Resources Code, relating to greenhouse gases.

LEGISLATIVE COUNSEL'S DIGEST

SB 1121, as amended, De León. ~~The California Green Bank Board. California Climate Technology and Infrastructure Financing Act.~~

Existing law establishes the California Alternative Energy and Advanced Transportation Financing Authority consisting of specified members and authorizes the authority to provide financial assistance to projects related to the utilization of alternative energy sources or advanced transportation technologies.

This bill would enact the California Climate Technology and Infrastructure Financing Act and would require the authority, in consultation with the State Air Resources Board, to develop the California Climate Technology and Infrastructure Financing Program to provide financial assistance to eligible greenhouse gas emissions reduction projects, as defined. The bill would establish the Climate Technology and Infrastructure Financing Fund and would, upon appropriation by the Legislature, require the authority to expend moneys in the fund for the purposes of the program.

The Bergeson-Peace Infrastructure and Economic Development Bank Act authorizes the California Infrastructure and Economic Development Bank, governed by a board of directors, to make loans, issue bonds, and provide other assistance for various types of economic development projects, among other things. The activities of the bank under these provisions are funded from the California Infrastructure and Economic Development Bank Fund, which is continuously appropriated for these purposes.

This bill would establish the California Green Bank Board composed of 7 members including various heads of executive branch entities, as specified, one member appointed by the Senate Committee on Rules, and one member appointed by the Speaker of the Assembly. The bill would specify the duties and responsibilities of the board, including the duty to evaluate current state financial support for commercially viable clean energy projects and innovative energy technology projects. The bill would also require the board to make specific recommendations relating to its duties in a report to the Legislature, on or before January 1, 2016.

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 5 (commencing with Section 26100) is
 2 added to Division 16 of the Public Resources Code, to read:

3

4 CHAPTER 5. CALIFORNIA CLIMATE TECHNOLOGY AND
 5 INFRASTRUCTURE FINANCING ACT

6

7 Article 1. General Provisions and Definition

8

9 26100. The Legislature finds and declares all of the following:

10 (a) The California Global Warming Solutions Act of 2006
 11 (Division 25.5 (commencing with Section 38500) of the Health
 12 and Safety Code) requires the reduction of statewide greenhouse
 13 gas emissions to 1990 levels by 2020.

14 (b) As a result of the act and complimentary policies, California
 15 has established itself as a leader in the development of clean
 16 technologies, helping to drive innovation and deployment of a
 17 variety of greenhouse gas reducing technologies.

1 (c) However, there exist barriers to the widespread adoption
2 and commercial scale deployment of these technologies and, as a
3 result, cleaner, lower-carbon, cheaper, and more reliable energy
4 remains unavailable to many California consumers and businesses.

5 (d) Among the most critical barriers is the availability of
6 financing options for consumers and businesses, and the lack of
7 familiarity and perceived risk for investors due to limited data,
8 and, often, small and expensive financial transactions.

9 (e) To achieve the state's climate goals, the state should better
10 optimize our limited public dollars to attract more private
11 investment, so that each dollar of public funds provides multiple
12 dollars of private capital.

13 (f) A statewide financing entity focused on fostering private
14 investments in low-carbon projects can provide significant
15 leveraging of private dollars to make public funds go further.

16 (g) A statewide financing entity in California could accelerate
17 the transition to a low-carbon economy, achieve the state's climate
18 goals, and improve access for all Californians to cleaner energy.
19 A financing entity could help achieve all of the following goals:

20 (1) Evaluate, coordinate, and increase private investment in
21 greenhouse gas emissions reduction projects that are not currently
22 able to obtain financing in the capital markets at a reasonable
23 cost and with a reasonable rate of return to project developers at
24 scale and with significant private sector participation.

25 (2) Lower rates and decrease costs for utility ratepayers within
26 the state, expand the accessibility and affordability of clean energy
27 for end users, ensure the reliability and safety of the state's energy
28 and water supplies, increase the climate resilience of the state's
29 infrastructure, increase the use of clean energy, promote energy
30 efficiency, and advance the state's energy- and
31 infrastructure-related economy.

32 (3) Foster increasingly efficient, low-cost capital financing at
33 scale and with maximum private sector participation for eligible
34 projects through the creation, where appropriate, of financial
35 performance data, standardized contracts, underwriting standards,
36 and measurement and verification protocols.

37 (4) Coordinate with, and enhance, existing clean energy
38 financing programs to fill financing gaps not currently filled by
39 existing programs or markets and further enhance the scale and

1 *scope of existing programs or markets to enabling financing at*
2 *scale and with maximum private sector participation.*

3 *(5) Implement a variety of financing tools, including, but not*
4 *limited to, loans, loan guarantees, securitization, warehousing,*
5 *insurance, portfolio insurance, and other forms of financing*
6 *support and risk management, to support greenhouse gas emissions*
7 *reduction projects necessary to advance the state’s policy*
8 *objectives, including the reduction of greenhouse gas emissions*
9 *within the state.*

10 *26101. For the purposes of this chapter, the following terms*
11 *mean the following:*

12 *(a) “Clean agriculture project” means a project, product,*
13 *service, function, or measure, or an aggregation of projects,*
14 *products, services, functions, or measures, having the primary*
15 *purpose of deploying a product or service that avoids or reduces*
16 *emissions of greenhouse gases directly or indirectly caused by the*
17 *production or processing of crops or livestock.*

18 *(b) “Clean energy infrastructure project” means the*
19 *construction, alteration, or repair of types of infrastructure*
20 *necessary for the deployment of technologies, products, or services,*
21 *that will avoid or reduce emissions of greenhouse gases, including,*
22 *but not limited to, the following:*

23 *(1) Electric transmission and distribution facilities*
24 *interconnected to renewable energy projects or system efficiency*
25 *projects.*

26 *(2) Hydrogen transportation and distribution systems.*

27 *(3) Carsharing, ridesharing, and bicycle sharing facilities.*

28 *(4) Improvements to infrastructure used for the transportation*
29 *of passengers, goods, or freight.*

30 *(c) “Demand response project” means a project, product,*
31 *service, function, or measure, or an aggregation of projects,*
32 *products, services, functions, or measures, that changes electric*
33 *usage by end-use customers in the state from their normal*
34 *consumption pattern in response to any of the following:*

35 *(1) Changes in the price of electricity over time.*

36 *(2) Incentive payments designed to induce lower electricity use*
37 *at times of high market prices or when system reliability is*
38 *jeopardized.*

39 *(d) “Energy efficiency project” means a project, product,*
40 *service, function, or measure, or an aggregation of projects,*

1 *products, services, functions, or measures, that results in the*
2 *reduction of energy usage required to achieve the same level of*
3 *service or output prior to the application of the project, product,*
4 *service, function, or measure, and reduces emissions of greenhouse*
5 *gas relative to emissions that would have occurred prior to the*
6 *application of the project, product, service, function, or measure,*
7 *including, but not limited to, either of the following:*

8 (1) *Water capture, conveyance, distribution, use, reuse, and*
9 *recycling.*

10 (2) *Wastewater collection, treatment, and disposal.*

11 (e) *“Fund” means the California Climate Technology and*
12 *Infrastructure Financing Fund established pursuant to Section*
13 *26130.*

14 (f) *“Greenhouse gas emissions reduction project” means a*
15 *project, product, service, function, or measure, or an aggregation*
16 *of projects, products, services, functions, or measures, that avoids*
17 *or reduces emissions of greenhouse gases, including, but not*
18 *limited to, any of the following:*

19 (1) *Energy efficiency projects.*

20 (2) *Clean energy infrastructure projects.*

21 (3) *Innovation energy technology projects.*

22 (4) *Renewable energy projects.*

23 (5) *System efficiency projects.*

24 (6) *Clean agriculture projects.*

25 (7) *Low-carbon transportation projects.*

26 (8) *Demand response projects.*

27 (9) *Land-based greenhouse gas sequestration projects.*

28 (10) *A combination of the projects specified in paragraphs (1)*
29 *to (9), inclusive.*

30 (g) *“Innovation energy technology project” means a project*
31 *having either of the following primary purposes:*

32 (1) *Deployment of a technology, infrastructure, practice,*
33 *product, or service that avoids or reduces emissions of greenhouse*
34 *gases and that employs new or significantly improved technologies*
35 *or practices, as compared to technologies or practices that are in*
36 *general use in the commercial marketplace in the United States*
37 *at the time the project is approved by the authority pursuant to*
38 *this chapter.*

39 (2) *Manufacturing of a commercially ready energy technology*
40 *or product that avoids or reduces emissions of air pollutants and*

1 greenhouse gases and that incorporates an innovative
2 manufacturing process or processes not in general use in the
3 commercial marketplace in the United States at the time the project
4 is approved by the authority pursuant to this chapter.

5 (h) “Land-based greenhouse gas sequestration project” means
6 a project, product, service, function, or measure, or an aggregation
7 of projects, products, services, functions, or measures, having a
8 primary purpose of developing, constructing, or deploying a project
9 in forests, grasslands, wetlands, or other habitat types in California
10 for which a carbon credit or offset protocol has been adopted by
11 the state board.

12 (i) “Low-carbon transportation project” means a project,
13 product, service, function, or measure, or an aggregation of
14 projects, products, services, functions, or measures, that results
15 in reductions in greenhouse gas emissions from the transportation
16 of people, goods, freight, or off-road equipment.

17 (j) “Program” means the California Climate Technology and
18 Infrastructure Financing Program developed pursuant to Section
19 26110.

20 (k) “Renewable energy project” means the development,
21 construction, deployment, alteration, or repair of a solar, wind,
22 geothermal, appropriately sourced biomass, anaerobic digestion
23 of organic waste streams, small hydropower, ocean or tidal, fuel
24 cell using renewable fuels, or advanced biofuel or other renewable
25 fuel, energy generation facility.

26 (l) “State board” means the State Air Resources Board.

27 (m) “System efficiency project” means the development,
28 construction, deployment, alteration, or repair of a distributed
29 generation, energy storage, smart grid, advanced battery,
30 microgrid, fuel cell, water pumping, or combined heat and power,
31 technology or system.

32

33 Article 2. Climate Change Technology and Infrastructure
34 Financing Program

35

36 26110. (a) The authority, in consultation with the state board,
37 shall develop and administer the California Climate Technology
38 and Infrastructure Financing Program to provide financial
39 assistance for greenhouse gas emissions reduction projects

1 *consistent with this chapter, the guiding document developed*
2 *pursuant to Section 26120, and both of the following:*

3 *(1) Earning a net positive return on the financial assistance*
4 *made pursuant to this chapter.*

5 *(2) Maximizing net greenhouse gas emissions reductions for*
6 *each dollar provided by focusing financial support on filling*
7 *demonstrated financing gaps that are the key barriers to greater*
8 *investment or market transformation.*

9 *(b) Greenhouse gas emissions reduction projects eligible for*
10 *financial assistance pursuant to this chapter shall demonstrate all*
11 *of the following:*

12 *(1) Reduction in net emissions of greenhouse gases.*

13 *(2) Partnership with a private financial institution or lender.*

14 *(3) Ability for the project to meet applicable permitting*
15 *requirements.*

16 *(4) Ability to create jobs in the state.*

17 *(5) Technological viability.*

18 *(6) Ability to, over time, pay back the financial assistance*
19 *provided pursuant to this chapter.*

20 *(7) Demonstrate the existence of a financing gap that is a barrier*
21 *to project implementation or market growth.*

22 *(8) Other requirements deemed necessary by the authority.*

23 *(c) The authority shall establish a portfolio approach to the*
24 *provision of financial assistance to address different industry needs*
25 *and different development and commercialization stages of*
26 *technology.*

27 *(d) The authority may accept applications for financial*
28 *assistance pursuant to the program on an ongoing and open*
29 *solicitation basis.*

30 *26111. (a) The authority, in consultation with the state board,*
31 *shall establish guidelines for the program and project eligibility*
32 *that are consistent with the requirements of the California Global*
33 *Warming Solutions Act of 2006 (Division 25.5 (commencing with*
34 *Section 38500) of the Health and Safety Code) and the Greenhouse*
35 *Gas Reduction Fund Investment Plan and Communities*
36 *Revitalization Act (Chapter 4.1 (commencing with Section 39710)*
37 *of the Health and Safety Code). The guidelines shall include*
38 *consideration of whether providing financial assistance for a*
39 *greenhouse gas emissions reduction project will do the following:*

1 (1) Increase private investment in greenhouse gas emissions
2 reduction projects that are not currently able to obtain financing
3 at attractive terms or through an existing state program.

4 (2) Enable the implementation and scaling of greenhouse gas
5 emissions reduction projects to increase deployment of innovative
6 financing by leveraging limited public dollars to attract private
7 capital.

8 (3) Facilitate the deployment of greenhouse gas emissions
9 reduction projects at an accelerated rate.

10 (4) Enhance the competitiveness of California-based companies
11 and reduce leakage of greenhouse gas emissions to other
12 jurisdictions.

13 (5) Achieve cobenefits, such as enhanced water supply, improved
14 water quality, improved air quality, enhanced urban environments,
15 and improved public health and wildlife habitat.

16 (6) Addresses barriers that have prevented adequate commercial
17 financing of greenhouse gas emissions reduction projects.

18 (b) Priority shall be given to projects that demonstrate the ability
19 to meet the following criteria:

20 (1) Ability to increase private investment in otherwise
21 commercially viable greenhouse gas emissions reduction projects
22 not currently able to obtain financing in the capital markets at a
23 reasonable cost with a reasonable rate of return.

24 (2) Ability to increase private investment in greenhouse gas
25 emissions reduction projects located in disadvantaged communities
26 identified pursuant to Section 39711 of the Health and Safety Code.

27 (3) Ability to maximize economic, environmental, and public
28 health benefits to the state.

29 26112. The authority shall appoint an executive officer to
30 oversee and implement the program, who meets all of the following
31 requirements:

32 (a) Demonstrates significant experience and knowledge of
33 private sector financing of low-carbon technologies and projects.

34 (b) Does not have any financial interest in any greenhouse gas
35 emission reduction project under consideration or any financial
36 interest in an investment institution or its affiliates or any other
37 entity seeking or likely to seek financial assistance for any
38 greenhouse gas emission reduction project pursuant to this chapter.

39 (c) Has the ability to hire staff with experience and knowledge
40 of private sector financing structures and tools.

1 26113. *The authority shall convene, at least twice each year,*
2 *in a public process, an advisory stakeholder group consisting of*
3 *clean energy stakeholders with experience in clean energy*
4 *financing or technological expertise. The advisory group shall*
5 *provide to the authority information on topics, including, but not*
6 *limited to, current market needs, financial feasibility of financial*
7 *tools, commercial feasibility of greenhouse gas reducing*
8 *technologies and projects, and relevant studies.*

9
10 *Article 3. Oversight and Coordination*

11
12 26120. (a) *The authority shall prepare a three-year guiding*
13 *document, consistent with the three-year investment plan developed*
14 *pursuant to Section 39716 of the Health and Safety Code, outlining*
15 *planned financial assistance categories and how financial*
16 *assistance furthers the reductions of greenhouse gas emissions.*
17 *The guiding document shall establish priorities for investment of*
18 *funds to achieve the goals of this chapter and describe how funding*
19 *will complement existing public and private investments, including*
20 *existing state programs that further the goals of this chapter. The*
21 *guiding document shall identify gaps in existing programs or*
22 *private financing markets that can be filled by financial assistance*
23 *made pursuant to this chapter to achieve the goals of this chapter.*

24 (b) *In developing the guiding document, the authority shall*
25 *convene and consult with a climate and energy incentive*
26 *coordination advisory body consisting of the following:*

27 (1) *The chair of the state board or his or her designee.*

28 (2) *The chair of the State Energy Resources Conservation and*
29 *Development Commission or his or her designee.*

30 (3) *The President of the Public Utilities Commission or his or*
31 *her designee.*

32 (4) *The Treasurer or his or her designee.*

33 (5) *The Director of the Office of Business and Economic*
34 *Development or his or her designee.*

35 (6) *The Director of the Department of Water Resources or his*
36 *or her designee.*

37 (7) *Two members appointed by the Speaker of the Assembly.*

38 (8) *Two members appointed by the Senate Committee on Rules.*

39 (c) *The advisory body is subject to the requirements of the*
40 *Bagley-Keene Open Meeting Act (Article 9 (commencing with*

1 Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of
 2 the Government Code).

3 26121. (a) No later than July 30, 2016, and annually
 4 thereafter, the commission shall report to the Legislature on the
 5 progress of the financial assistance provided pursuant to this
 6 chapter, the performance of the program, how the financial
 7 assistance provided has supported the goals of this chapter, and
 8 how the financial assistance has been coordinated with other state
 9 incentive programs.

10 (b) The report required pursuant to subdivision (a) shall be
 11 submitted in accordance with Section 9795 of the Government
 12 Code.

13
 14 Article 4. Financial Provision

15
 16 26130. (a) The Climate Technology and Infrastructure Finance
 17 Fund is hereby established in the State Treasury. Moneys in the
 18 fund, upon appropriation of the Legislature, shall be expended by
 19 the authority for the purpose of this chapter.

20 (b) The fund is a repository of both of the following:

21 (1) Moneys transferred by the Legislature from the Greenhouse
 22 Gas Reduction Fund established pursuant to Section 16428.8 of
 23 the Government Code for the purposes of carrying out this chapter.

24 (2) Other moneys, including, but not limited to, revenues from
 25 bonds and other securities issued by the authority and fees
 26 collected pursuant to this division, and gifts and grants to the
 27 authority, if issued, collected, granted, or gifted for the purposes
 28 of this chapter.

29 ~~SECTION 1. Part 11.5 (commencing with Section 15880) is~~
 30 ~~added to Division 3 of Title 2 of the Government Code, to read:~~

31
 32 ~~PART 11.5. THE CALIFORNIA GREEN BANK ACT~~

33
 34 ~~15880. (a) There is in state government the California Green~~
 35 ~~Bank Board. The board shall be composed of the following~~
 36 ~~members:~~

37 ~~(1) The Treasurer.~~

38 ~~(2) The Director of Finance.~~

39 ~~(3) The President of the California Public Utilities Commission.~~

40 ~~(4) The Chair of the California Energy Commission.~~

1 ~~(5) The Chair of the State Air Resources Board.~~

2 ~~(6) One person appointed by the Senate Committee on Rules.~~

3 ~~(7) One person appointed by the Speaker of the Assembly.~~

4 ~~(b) The members listed in paragraphs (1) to (5), inclusive, of~~
5 ~~subdivision (a) may each designate a deputy or clerk from within~~
6 ~~his or her agency to act for and represent him or her at all meetings~~
7 ~~of the board.~~

8 ~~(c) All members of the board shall serve thereon without~~
9 ~~compensation, but shall be reimbursed for all necessary expenses~~
10 ~~actually incurred in the performance of their duties.~~

11 ~~15880.5. The board shall have all of the following duties and~~
12 ~~responsibilities:~~

13 ~~(a) Evaluate current state financial support for commercially~~
14 ~~viable clean energy projects not currently able to obtain financing~~
15 ~~in the capital markets at a reasonable cost with a reasonable rate~~
16 ~~of return to a clean energy project developer, and for innovative~~
17 ~~energy technology projects not currently able to obtain financing.~~

18 ~~(b) Identify the firms and projects for which new forms of~~
19 ~~financial assistance will advance the state's policy objectives,~~
20 ~~including, but not limited to, reduction in greenhouse gases.~~

21 ~~(c) Recommend specific forms of financial assistance that will~~
22 ~~assist these projects and firms with an acceptable amount of risk~~
23 ~~for the state.~~

24 ~~15880.10. (a) The board shall make specific recommendations~~
25 ~~relating to the duties listed in Section 15880.5 in a report to the~~
26 ~~Legislature, on or before January 1, 2016.~~

27 ~~(b) (1) The report described in subdivision (a) shall be submitted~~
28 ~~in compliance with Section 9795.~~

29 ~~(2) Pursuant to Section 10231.5, this section is repealed on~~
30 ~~December 1, 2020.~~

31 ~~15880.15. In carrying out its duties and responsibilities, the~~
32 ~~board shall have all of the following powers:~~

33 ~~(a) To meet at any time and place it deems proper.~~

34 ~~(b) To employ staff, pursuant to laws and regulations governing~~
35 ~~state civil service.~~

36 ~~(c) To contract with experts in clean technology development~~
37 ~~and finance.~~

38 ~~(d) To cooperate with every department, agency, or~~
39 ~~instrumentality in the state government.~~

- 1 ~~(e) To receive any data, the access to which is not restricted by~~
- 2 ~~any state or federal law, that is necessary to prepare the report~~
- 3 ~~described in subdivision (a) of Section 15880.10.~~

O