



The Honorable Gavin Newsom
State Capitol, Suite 1173
Sacramento, CA 95814

The Honorable Nancy Skinner
Chair, Senate Budget Committee
State Capitol Building, Room 5094
Sacramento, CA 95814

The Honorable Phil Ting
Chair, Assembly Budget Committee
State Capitol Building, Room 6026
Sacramento, CA 95814

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Cleantech Business Priorities for Clean Energy, Transportation, and Climate Investments in the State Budget (FY 2022-23)

On behalf of the above listed organizations representing diverse private sector companies, employers, investors, business leaders, incubators, and regional business interests, we are calling on the Legislature and the Administration to retain a shared commitment to transformative multi-year clean energy, transportation, and climate investments in the forthcoming finalized budget agreement. In the subsequent sections, we offer our perspectives on existing budget proposals and specific investment categories we implore decisionmakers to prioritize for the greatest immediate and long-term impact.

Budget decisions reached this year will have implications for years to come, depending on how these dollars are ultimately directed. California has an unprecedented opportunity to put significant budget surplus dollars to work tackling the state's most pressing near-term energy reliability challenges through proven shovel-ready projects that are ready now to help our communities weather extreme heat, public safety power shut offs (PSPS), and ongoing climate impacts. The budget surplus also presents an opening to plan ahead and make a substantial down payment in preparing our electrical grid infrastructure for future risk. Given the historic windfall of public funds at the state's disposal as parallel

stressors threaten the stability of our power sector, it is imperative that the Legislature and the Administration take a holistic approach to prioritizing the innovative clean energy solutions set best equipped to sustainably and equitably meet the needs of everyday Californians up and down the state while appropriately preparing our grid infrastructure to withstand risks in the long run. We underscore the need to cement a budget that takes a systems approach to reliability that best leverages potential synergies between the range of clean energy solutions available today.

Specifically, the business community urges the Legislature and the Administration to incorporate these core investment considerations as negotiations continue to finalize the State Budget:

- **Ensure emergency funding this fiscal year to address immediate capacity shortfall concerns.**

California is facing an electricity supply crunch that necessitates urgent action in alignment with the state's nation-leading climate goals and the ingenuity of our state's cleantech economy. We encourage the Legislature to earmark \$200 million this fiscal year to streamline regulatory processes and infuse new capital into distributed energy resources (DERs) and demand-side management strategies – such as dispatchable zero-emission microgrids, on-site solar energy plus energy storage, demand response, etc.— to avoid deployment of polluting back-up generators at commercial scale. These technologies should be funded now, as a suite of interdependent strategies, so California has more tools at its disposal to weather potential outages on the horizon.

Notably, the Governor's May Revision does not set aside funding to deploy clean back-up power solutions and demand-reduction strategies *this fiscal year*, even as California heads into another hot, dry Summer with an expected energy supply shortfall equivalent to what it takes to power as many as 3.5 million homes during peak periods. Although the California Public Utilities Commission and its sister agencies have undertaken measures to increase available capacity and reduce peak demand in the near-term, customer-sited distributed energy resources still have significant untapped potential to meet system needs during periods when the grid is most stressed. Time is of the essence to get a portion of budget surplus dollars out the door now to leverage the untapped potential of existing DERs to keep the lights on for households and essential public services during extreme weather conditions and power outages. Near-term funding should especially target scaling locally-based clean energy solutions in the most environmentally and economically burdened communities where safe, dependable electricity and lower energy bills are especially crucial.

- **Embrace a combined arms approach to focus new reliability-centered funding on complementary distributed energy resources, demand-side management strategies, and electric transmission infrastructure.**

While we commend the timely focus on reliability and affordability in the Governor's May Revision, we request that future budget trailer bill language ensure budget surplus dollars are reserved for the best available clean energy solutions poised to provide the greatest relief now without prolonging the lifespan of polluting, uneconomic assets. We also request that subsequent budget text preserve investments in demand-side grid support initiatives, recognizing these solutions boost grid resiliency and effectively empower residents and businesses to do their part by reducing their power usage during the most critical times. Budget language should ensure that valuable third party, non-utility resources are not excluded from access to new incentives.

State decisionmakers should also be looking at big picture reliability needs and the changing grid landscape across the West in tandem with doubling down on local grid hardening initiatives. Modernizing our grid system with well-maintained electricity transmission infrastructure is essential to reliably deliver affordable clean energy across the state and to neighboring Western states. The California Independent System Operator (CAISO)'s recent 20-Year Transmission Outlook has estimated that it will cost \$30.5 billion over 20 years to build the new electricity transmission infrastructure needed to meet California's climate and clean energy targets. We encourage the Legislature, in coordination with state agencies, to expeditiously identify finance, regulatory, and other mechanisms to help streamline, and eliminate barriers to, strategic transmission infrastructure upgrades and expansion where it's needed most. To stem rising energy costs and get out ahead of anticipated grid strain in the future, California should also proactively contemplate a regional approach to how clean energy resources are coordinated and delivered during times of greatest demand.

- **Ensure consistent, sustained incentive support for the continued growth of solar and solar plus storage adoption to boost local resilience.**

We support the proposed allocation of nearly \$1 billion in the Governor's May Revise for growing distributed solar and solar plus storage projects, with a focus on expanding access in low-income communities. However, we urge the Legislature to dedicate additional funding for distributed solar plus storage projects in future years so there is sufficient investment certainty to continue growing adoption and local workforce opportunities from this historically-important industry. The Self Generation Incentive Program (SGIP), which has been supporting DER deployments, is nearly exhausted and chronically hampered by funding, and regulatory, uncertainty.

- **Support equitable access to reliable clean energy for more Californians by expanding access to community solar.**

Given that over 45% of Californians are tenants, increasing access to community solar would practically provide energy security and affordability for more families and individuals across varying income brackets as the state continues to transition to a clean grid. We encourage the Legislature to support direct investment in the growth of community solar projects geared at lower-income households and residents of disproportionately impacted communities that are renting their place of residence.

- **Accelerate comprehensive investments in zero-emission vehicles, and zero-emission fueling and charging infrastructure, across all vehicle segments to significantly reduce greenhouse gas emissions from the transportation sector, protect Californians from fuel price volatility, and provide economic stimulus.**

The Governor's January Proposed Budget rightfully earmarked significant new multi-year funding to drive substantial zero-emission vehicle (ZEV) charging infrastructure build out across various vehicle segments. Closing the gap on the infrastructure need, together with fully funding equity-focused vehicle incentive programs (at a level commensurate with their demand), remains imperative to accelerating widespread ZEV adoption and expanding accessibility across diverse income levels and mobility needs. We encourage the Legislature to both preserve and accelerate the deployment of proposed funding for equity-focused rebate programs and programs that expand affordable home charging and charging station access for low-income and disadvantaged communities.

We also reiterate our support for accelerating medium- and heavy-duty fleet electrification and charging infrastructure deployment to bring more electrified buses, trucks, and freight vehicles to the market and on our roads. Electrifying our ports and replacing high-polluting diesel vehicles with zero-emission models as soon as possible will spur more innovation across the state's enormous goods movement industry in compliance with California's Innovative Clean Transit and Advanced Clean Trucks standards.

While we are pleased that the January Proposed Budget and the Legislature's Joint Budget Agreement both commit \$1.5 billion to school bus electrification, we implore decisionmakers to ensure those funds are exclusively reserved for zero-emission school buses, not low-emission school buses, to uphold California's leadership on school bus electrification and make the biggest dent reversing chronic air pollution impacting children across the state. We also call on decisionmakers to stretch the \$1.5 billion proposed investment even further by providing much-needed technical assistance to school districts disproportionately impacted by poor air quality so they can transition to zero-emission school buses faster.

Our groups stand ready to be a helpful resource to the Legislature and the Administration as details are finalized around the clean energy and zero-emission transportation investment plans in the forthcoming State Budget. The cleantech business community is committed to working with decisionmakers to deliver a holistic multi-year spending framework that positions the State Budget to: deliver lasting economic benefit for all Californians, keep the lights on this year and for many years ahead, and leverage private and federal investment to capitalize on the economic development from California's thriving cleantech and ZEV industries.

Sincerely,

Amisha Rai
Managing Director
Advanced Energy Economy

Tim McRae
Senior Vice President, Energy & Environment
Silicon Valley Leadership Group

Mary Leslie
President
Los Angeles Business Council

Andy Wunder
Western Advocate
E2 (Environmental Entrepreneurs)

Jennifer Helfrich
Senior Manager, State Policy
Ceres

cc: The Honorable Toni Atkins, Senate President Pro Tem, California State Senate
The Honorable Anthony Rendon, Speaker of the Assembly, California State Assembly
The Honorable Nancy Skinner, Chair, Senate Budget Committee
The Honorable Phil Ting, Chair, Assembly Budget Committee
Lauren Sanchez, Senior Climate Advisor, Office of Governor Newsom
Karen Douglas, Senior Advisor for Energy, Office of Governor Newsom
Hazel Miranda, Deputy Legislative Secretary, Office of Governor Newsom