



March 16, 2022

Business Support 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 writing to express our support for key clean energy, zero-emission transportation, and climate aspects of the Governor's Proposed Budget for Fiscal Year 2022-23. We thank the Legislature and the Administration for its continued leadership in working together with the business community to speed the transition to a 100% clean energy and transportation system while maintaining California's world class cleantech innovation economy.

California has an unprecedented opportunity to leverage the projected record budget surplus and coming federal infrastructure funds to double down on core clean energy and transportation programs that will combat climate impacts and stimulate economic development statewide. If focused appropriately, increased investment in these sectors will pay dividends for years to come by sustaining healthy economic recovery and producing a multiplier effect for continued job growth and supply chain development. We, as members of the business community, look forward to working with policymakers to advance a comprehensive clean energy and transportation investment framework that meets the moment on California's bold climate ambitions with equity, resilience, and affordability at the center.

Our groups are united in our support of the following investment categories prioritized in the Governor's Proposed Budget. In addition, we have flagged other critical funding needs that we urge the Legislature and Administration to address in subsequent iterations of the budget.

Zero-Emission Transportation

The Governor's Proposed Budget rightfully earmarks 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 are also encouraged to see the Proposed Budget dedicate new funding to programs that expand affordable home charging and charging station access for low-income and disadvantaged communities.

We commend the Proposed Budget’s particularly strong focus on 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. We are also pleased to see the Proposed Budget commit \$1.5 billion to school bus electrification and are eager to see that funding stretched 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 sooner.

In addition, we support targeted investments to retain California’s competitive advantage on in-state ZEV manufacturing. We are excited to see interagency coordination and momentum around the Salton Sea’s “Lithium Valley”; if these resources are developed with community input and local economic development as a primary objective, there is a tremendous opportunity to grow a secure and environmentally sustainable domestic electric transportation supply chain fostering inclusive, high-road job growth.

Clean Energy

We appreciate the Proposed Budget’s commitment to market acceleration for innovative advanced energy technologies such as offshore wind, long duration storage, and green hydrogen, recognizing that all these technologies have a role to play in helping California realize a 100% clean grid. We also support the Proposed Budget’s significant down payment on putting all-electric heat pumps, energy efficiency, and other high-efficiency appliances more in reach for low-income communities to benefit from greater bill savings and reliable protection from extreme weather conditions. In addition to electrification incentives for low-income residential consumers, we request complementary incentives for the commercial sector to electrify; this would have an especially meaningful impact on GHG emission reductions given this sector’s large share of the energy load. Combined and comprehensive investment in energy efficiency, electrification, and demand response across the built environment is critical to building a resilient economy and cost-effectively preparing our infrastructure for extreme heat.

We are also pleased to see the Proposed Budget include the industrial sector in the clean energy investment package. Industrial materials such as concrete are foundational to California’s economy but emit vast quantities of greenhouse gas emissions and other air pollutants. Moreover, demand for these products – many of which have no viable alternatives at scale – will continue to rise to meet the state’s urgent housing and infrastructure needs. The pathway to deep decarbonization for this sector therefore requires significant investment in California’s industrial base, which is heterogeneous, energy-intensive, operates with slim margins, and faces competitive pressure from foreign manufacturers. As proposed in the Industrial Decarbonization Program, making financial incentives available to industrial facilities to deploy advanced technologies can attract additional private investment to overcome the high capital costs of deploying those technologies, and spur innovative solutions for hard to decarbonize economic activity. We support these initial investments and encourage the Legislature and the Administration to expand upon them in future budget years.

In tandem, we encourage the Legislature and Administration to address the following unmet needs for critical energy infrastructure in future iterations of the state budget:

- **Distributed energy resources (DERs):** As California continues to grapple with wildfires, heat waves, and high energy costs year after year, localized clean energy solutions at homes and critical community facilities remain essential to strengthening resilience to extreme weather conditions and other strains on the power system. Leveraging state funding to scale microgrids, on-site solar energy plus energy storage installations, and other clean back-up power devices – especially for essential public services and in disproportionately impacted areas

– will ensure local energy needs are reliably met throughout extreme weather conditions and public safety power shut offs (PSPS). We specifically urge the Legislature and Administration to allocate \$200 million this fiscal year from the budget surplus for focused incentives and streamlined regulatory processes that will rapidly bring distributed energy resources and demand-side management solutions online at the scale appropriate to meet the state’s near-term reliability needs. This level of funding would go a long way towards ensuring California can successfully get reliable, clean energy resources in place to avoid energy supply shortages and mitigate the risk of grid outages when need is greatest.¹

- **Community Solar + Storage:** Over 45% of Californians are tenants, with 70% of residents in disadvantaged communities renting their housing. More work remains to expand equitable access for renters to affordable renewable energy resources that improve resilience and grid reliability. We encourage the Administration to allocate funds for community solar+storage programs under the direction of the California Energy Commission and the Public Utilities Commission.
- **Electricity Transmission Infrastructure:** -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 new 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 to expeditiously identify finance, regulatory, and other mechanisms to help streamline, and eliminate barriers to, transmission infrastructure upgrades and expansion where it’s needed most. Agency coordination around transmission buildout is critical while also positioning California to work with the rest of the region to enable reliable, affordable and efficient delivery of clean energy throughout the west.

Our groups stand ready to work with the Legislature, the Administration, and other stakeholders to advance and build upon the clean transportation and energy investment framework outlined in the Proposed Budget. We also look forward to working with policymakers to ensure these investments come to fruition in a manner best positioned to harness private and federal investment to deliver greatest impact and economic development potential across California’s thriving cleantech and ZEV industries.

Sincerely,

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¹ We feel an investment of \$200 million in Distributed Energy Resources this fiscal year is an appropriate use of budget surplus dollars, as it could incentivize distributed solutions to meet reliability needs. The CAISO has projected a potential energy shortfall of 5,000 MW this year. \$200 million is the product of multiplying the cost of new entry (\$200/kW) times the 5,000 MW shortfall times 20 percent of the 5,000 MW shortfall that could be allocated toward DERs. We recommend that a significant portion of this funding - for example, half of that \$200 million - be set aside for non-utility third party Demand Response and Distributed Energy Resource aggregators outside of the current procurement process, to best streamline and position these resources to be in place to meet peak demand.

Andy Wunder
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cc: The Honorable Toni Atkins, California State Senate
The Honorable Anthony Rendon, 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
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