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AB-1280 Energy. (2025-2026)

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Assembly Bill No. 1280

CHAPTER 395

An act to amend Section 63048.93 of the Government Code, and to amend Sections 25640, 25641, 25642, 25645, 25662, 25662.2, and 25662.4 of, and to amend the heading of Article 2 (commencing with Section 25662) of Chapter 7.6 of Division 15 of, the Public Resources Code, relating to energy.

[Approved by Governor October 06, 2025. Filed with Secretary of State October 06, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1280, Garcia. Energy.

(1) The Bergeson-Peace Infrastructure and Economic Development Bank Act establishes the California Infrastructure and Economic Development Bank (I-Bank) in the Governor's Office of Business and Economic Development, governed by a board of directors. The act, among other things, authorizes the I-Bank to make loans, issue bonds, and provide financial assistance for various types of projects that qualify as economic development or public development facilities. The Climate Catalyst Revolving Fund Act of 2020 authorizes the I-bank, under the Climate Catalyst Revolving Fund Program, to provide financial assistance to any eligible sponsor or participating party in connection with the financing or refinancing of a climate catalyst project, either directly to the sponsor or participating party or to a lending or financial institution, as provided. The act requires the I-Bank to adopt climate catalyst financing plans for specified categories of climate catalyst projects, as specified, after meeting and conferring with the appropriate consulting agencies for those specified categories of climate catalyst projects.

This bill would authorize the I-bank to provide financial assistance in connection with the financing or refinancing of a new category of climate catalyst projects, those that enable the decarbonization of industrial facilities' use of heat and power, including, but not limited to, industrial heat pump and thermal energy storage projects, as specified, with the State Energy Resources Conservation and Development Commission and the State Air Resources Board as consulting agencies. The bill would specify conditions to be satisfied regarding these projects. The bill would make implementation of the financial assistance for this new category of climate catalyst projects contingent upon an appropriation by the Legislature.

(2) Existing law requires the commission to establish and implement the Long-Duration Energy Storage Program to provide financial incentives for eligible projects, including thermal storage, that have power ratings of at least one megawatt and are capable of reaching a target of at least 8 hours of continuous discharge of electricity in order to deploy innovative energy storage systems to the electrical grid for purposes of providing critical capacity and grid services. Existing law requires the commission to give preference to eligible projects that have certain impacts, including those that increase the use of renewable energy.

This bill would establish and implement an Industrial Facilities Thermal Energy Storage Program within the Long-Duration Energy Storage Program to provide financial incentives for eligible projects to decarbonize industrial facilities' use of heat and power, as specified. The bill would include thermal energy storage, as defined, rather than thermal storage, as an eligible project. The bill would require the commission to give preference to eligible projects that increase the use of renewable energy through reducing

curtailment and shifting power usage from peak to off-peak times, rather than to all projects that increase the use of renewable energy. The bill would prohibit, after January 1, 2027, the commission from providing these financial incentives to projects that involve the performance of work by contractors in the construction industry unless that work is performed under a project labor agreement, as provided.

(3) Existing law requires the commission to establish and administer the Industrial Grid Support and Decarbonization Program to provide financial incentives for the implementation of eligible projects at eligible industrial facilities to provide significant benefits to the electrical grid, reduce emissions of greenhouse gases, achieve the state's clean energy goals, and exceed compliance requirements. Existing law subjects projects to certain conditions of eligibility for these financial incentives. Existing law requires the commission, in providing financial incentives, to give preference to certain types of projects.

This bill would rename the program the Industrial Decarbonization and Improvement of Grid Operations Program and would add, among its purposes, reducing emissions of health-harming pollutants. The bill would revise some of the conditions for eligible projects. The bill would make, after January 1, 2027, projects that involve the performance of work by contractors in the construction industry ineligible for these financial incentives unless the work is performed under a project labor agreement, as provided. The bill would require, after January 1, 2027, an eligible project for a facility that has a record of air permit violations to separately develop a plan for pollution remediation, including for ecological and public health harms. The bill would require the commission to also give preference, in providing financial incentives, to an eligible project that is located in an under-resourced community, as defined, and an eligible project that develops a community benefit fund or agrees to pursue a community benefits agreement with the surrounding community and other affected stakeholders.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 63048.93 of the Government Code is amended to read:

63048.93. (a) The bank is hereby authorized and empowered to provide financial assistance under the Climate Catalyst Revolving Fund Program to any eligible sponsor or participating party either directly or to a lending or financial institution, in connection with the financing or refinancing of a climate catalyst project, in accordance with an agreement or agreements, between the bank and the sponsor or participating party, including, but not limited to, tribes, either as a sole lender or in participation or syndication with other lenders.

(b) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 does not apply to any climate catalyst financing plan or any criteria, priorities, and guidelines adopted by the bank in connection with the Climate Catalyst Revolving Fund Program or any other program of the bank. However, any climate catalyst financing plan shall be posted on the bank's internet website in a conspicuous location at least 30 calendar days before a bank board meeting at which the climate catalyst financing plan will be considered for approval.

(c) (1) Repayments of financing made under the Climate Catalyst Revolving Fund Program shall be deposited into the appropriate account created within the Climate Catalyst Revolving Fund.

(2) The bank shall establish a separate account for each category of climate catalyst projects identified by each paragraph of subdivision (f). For purposes of paragraph (3) of subdivision (f), the Clean Energy Transmission Financing Account is hereby created in the Climate Catalyst Revolving Fund.

(d) (1) (A) The bank shall meet and confer with the appropriate consulting agencies for each category of climate catalyst projects identified in subdivision (f). Thereafter, the bank board shall adopt, by majority vote of the bank board, a climate catalyst financing plan for each category of climate catalyst projects identified in subdivision (f). Before the bank board meeting in which the bank board will first consider adoption of a financing plan, each consulting agency shall submit a letter to the bank board discussing any areas of support and any areas of disagreement with the financing plan under consideration.

(B) Adoption of a climate catalyst financing plan by the bank board shall authorize the bank to provide financial assistance and to use all financing authorities provided under this division in its implementation of the climate catalyst financing plan.

(2) Following bank board approval, the climate catalyst financing plan shall be posted on the bank's internet website.

(3) A climate catalyst financing plan shall not be in effect until approved by the bank board.

(e) (1) A climate catalyst financing plan shall remain in effect until superseded by a revised climate catalyst financing plan or repealed by the bank. Commencing the first fiscal year following adoption of an initial climate catalyst financing plan, and in each fiscal year thereafter, the bank shall contact each consulting agency to discuss potential revisions to the climate catalyst financing

plan last approved by the bank board. If the consultation results in proposed revisions to the climate catalyst financing plan, the bank board may consider adopting, by majority vote, a revised climate catalyst financing plan.

(2) Any revisions to, or repeals of, a climate catalyst financing plan shall take effect 30 days after the bank provides written notification to the Joint Legislative Budget Committee, or not sooner than whatever lesser time after that notification the chairperson of the joint committee, or the chairperson's designee, may determine.

(f) The categories of climate catalyst projects and the consulting agencies for the respective climate catalyst financing plans shall be as follows:

(1) This paragraph shall be known as the "Forest Biomass Management and Utilization" climate catalyst category. The Natural Resources Agency shall be the consulting agency for the climate catalyst financing plan adopted for this category. This category includes climate catalyst projects that relate to sustainable vegetation management, forestry practices, and timber harvesting products. Eligible climate catalyst project subcategories include, but are not limited to, all of the following:

(A) Clean energy production, except combustion biomass conversion.

(B) Advanced construction materials.

(C) Forestry equipment needed to achieve the state's goals for forest and vegetation management treatments.

(2) This paragraph shall be known as the "Climate-Smart Agriculture" climate catalyst category. The Department of Food and Agriculture shall be the consulting agency for the climate catalyst financing plan for this category. This category includes climate catalyst projects that relate to agricultural improvements that enhance the climate or lessen impacts to the climate resulting from in-force agricultural practices. Eligible climate catalyst project subcategories include, but are not limited to, all of the following:

(A) Onfarm and food processing renewable energy, including both electricity and fuels, and bioenergy, to be used or distributed onsite.

(B) Energy, water, and materials efficiency.

(C) Methane reduction projects, using best practice approaches consistent with state policy goals, excluding dairy digesters and biogas unless used or distributed onsite.

(D) Energy storage or microgrids.

(E) Equipment replacement.

(3) (A) This paragraph shall be known as the "Clean Energy Transmission" climate catalyst category. The State Energy Resources Conservation and Development Commission and the Public Utilities Commission shall be the consulting agencies for the climate catalyst financing plan for this category. This category includes climate catalyst projects that are clean energy transmission projects. If multiple projects seek funding, the consulting agencies shall prioritize, based on state policy, potential projects that meet the conditions in subparagraph (B), and on financial considerations as determined by the bank. Eligible climate catalyst project subcategories in this paragraph shall comply with the conditions set forth in this paragraph, and include, but are not limited to, both of the following:

(i) Clean energy transmission project infrastructure that is necessary to connect the transmission project into the applicable California balancing authority area.

(ii) Other necessary technical elements of transmission infrastructure, including, but not limited to, environmental planning, permitting, and preconstruction costs for a project.

(B) Eligible projects shall meet all of the following conditions:

(i) Have at least one interconnection point within a California balancing authority area.

(ii) The applicant or its affiliates have previously completed a transmission project in California.

(iii) Will primarily deliver electricity to the Independent System Operator balancing authority area from clean resources located in identified resource areas that do not have adequate deliverability to a California balancing authority area.

(iv) Support new high voltage, defined as 200 kilovolts or higher, transmission projects or upgrades of existing transmission lines and substations to high voltage that are consistent with the state's reliability and greenhouse gas policy objectives.

(v) Priority shall be given to transmission projects that have not already been approved through the Independent System Operator's transmission planning process or projects that have not been recently studied in the Independent System Operator's transmission planning process and found to be unneeded or uneconomical.

(vi) Financial considerations as determined by the bank.

(vii) Consistency with state policy as determined by the consulting agencies.

(C) The bank shall not finance a project unless the entity completing the transmission project has entered into a project labor agreement that, at a minimum, meets the requirements of Section 2500 of the Public Contract Code and includes all of the following:

(i) Provisions requiring payment of prevailing wages, in accordance with Article 1 (commencing with Section 1720) of Chapter 1 of Part 7 of Division 2 of the Labor Code, to all construction workers employed in the construction of the project and for enforcement of that obligation through an arbitration procedure.

(ii) Targeted hiring provisions, including a targeted hiring plan, on a craft-by-craft basis to address job access for local, disadvantaged, or underrepresented workers, as defined by a relevant local agency.

(iii) Apprenticeship utilization provisions that commit all parties to increasing the share of work performed by state-registered apprentices above the state-mandated minimum ratio required in Section 1777.5 of the Labor Code.

(iv) Apprenticeship utilization provisions that commit all parties to hiring and retaining a certain percentage of state-registered apprentices that have completed the Multi-Craft Core preapprenticeship training curriculum referenced in subdivision (t) of Section 14005 of the Unemployment Insurance Code.

(D) Consultation on a potential transmission project does not constitute approval of that project by the Public Utilities Commission or the State Energy Resources Conservation and Development Commission under their decisionmaking authority, if that authority exists.

(E) Consultation on, or evaluation of, a transmission project by the bank does not indicate the bank's approval. The bank shall consider the credit and financial aspects of the project before determining whether to approve and finance the project.

(4) This paragraph shall be known as the "State Energy Financing Institution" climate catalyst category. The State Energy Resources Conservation and Development Commission or the Public Utilities Commission shall be the consulting agency for the climate catalyst financing plan for this category. This category includes climate catalyst projects to leverage federal financing funds that relate to projects that avoid, reduce, use, or sequester air pollutants or anthropogenic emissions of greenhouse gases as defined in Section 16513 of Title 42 of the United States Code, as amended.

(5) (A) This paragraph shall be known as the "Federal Greenhouse Gas Reduction Fund" climate catalyst category. The Governor's Office of Business and Economic Development, Treasurer's Office, California Environmental Protection Agency, Public Utilities Commission, Natural Resources Agency, and other relevant agencies, as determined by these agencies, shall be the consulting agencies for the climate catalyst financing plan for this category. This category includes climate catalyst projects to leverage federal funding available under the United States Environmental Protection Agency's Greenhouse Gas Reduction Fund (Section 7434 of Title 42 of the United States Code) and related implementing statutes and regulations.

(B) Eligible climate catalyst project subcategories shall comply with the climate and equity goals in the state's climate change scoping plan developed pursuant to Section 38561 of the Health and Safety Code.

(6) The State Energy Resources Conservation and Development Commission and the State Air Resources Board for climate catalyst projects that enable the decarbonization of industrial facilities' use of heat and power, including, but not limited to, industrial heat pump and thermal energy storage projects. If multiple projects seek funding, the consulting agencies shall prioritize based on state policy and on financial considerations as determined by the bank. For applications received after January 1, 2027, eligible climate catalyst project categories in this paragraph shall comply with the conditions set forth in this paragraph, and include, but not be limited to, all of the following:

(A) The bank shall prioritize, to the greatest extent applicable, industrial decarbonization projects that meet both of the following requirements:

(i) Achieve direct or indirect emissions reductions at a specific industrial facility.

(ii) Reduce criteria pollutants and further progress toward attainment of local, state, or federal air quality standards.

(B) The bank shall not finance an industrial decarbonization project unless the entity completing the project has entered into a project labor agreement that, at a minimum, meets the requirements of Section 2500 of the Public Contract Code and

includes all of the following:

(i) Provisions requiring payment of prevailing wages, in accordance with Article 1 (commencing with Section 1720) of Chapter 1 of Part 7 of Division 2 of the Labor Code, to all construction workers employed in the construction of the project and for enforcement of that obligation through an arbitration procedure.

(ii) Targeted hiring provisions, including a targeted hiring plan, on a craft-by-craft basis to address job access for local, disadvantaged, or underrepresented workers, as defined by a relevant local agency.

(iii) Apprenticeship utilization provisions that commit all parties to increasing the share of work performed by state-registered apprentices above the state-mandated minimum ratio required in Section 1777.5 of the Labor Code.

(iv) Apprenticeship utilization provisions that commit all parties to hiring and retaining a certain percentage of state-registered apprentices that have completed the Multi-Craft Core preapprenticeship training curriculum referenced in subdivision (t) of Section 14005 of the Unemployment Insurance Code.

(C) The bank shall not finance an industrial decarbonization project unless the entity completing the project includes a community benefit fund or community benefits agreement with the surrounding community and other affected stakeholders.

(D) Consultation on an industrial decarbonization project does not constitute approval of that project by the State Energy Resources Conservation and Development Commission or the State Air Resources Board under their decisionmaking authority, if that authority exists.

(E) Consultation on, or evaluation of, an industrial decarbonization project by the bank does not indicate the bank's approval. The bank shall consider the credit and financial aspects of the project before determining whether to approve and finance the project.

(F) Implementation of this paragraph is contingent upon an appropriation of funds by the Legislature for the purpose of this paragraph.

(g) (1) The bank may engage in outreach activities to inform disadvantaged participating parties and disadvantaged sponsors of the categories of financial assistance potentially available within the Climate Catalyst Revolving Fund Program. The outreach efforts may include, but are not limited to, all of the following:

(A) Conferring with the consulting agencies.

(B) Conferring with the Governor's Office of Business and Economic Development.

(C) Direct contact with existing bank clients and customers that operate within the boundaries of a disadvantaged community.

(D) Consulting with governmental entities, individuals, and business entities engaged in providing, or assisting the obtaining of, financial assistance for disadvantaged sponsors or participating parties, including, but not limited to, business and industrial development corporations and minority enterprise small business investment companies. The executive director, on behalf of the bank, may enter into service contracts for this purpose. Section 10295 and Article 4 (commencing with Section 10335) of Chapter 2 of Part 2 of Division 2 of the Public Contract Code do not apply to those service contracts.

(2) The criteria, priorities, and guidelines adopted for the Climate Catalyst Revolving Fund Program may include potential options for applying interest rate or fee subsidies for disadvantaged participating parties or disadvantaged sponsors seeking financial assistance from the bank under the Climate Catalyst Revolving Fund Program. The bank may offer reduced application fees to disadvantaged sponsors or participating parties seeking financial assistance under the Climate Catalyst Revolving Fund Program.

(3) The bank may offer technical assistance to disadvantaged sponsors or participating parties potentially seeking financial assistance under the Climate Catalyst Revolving Fund Program. The executive director, on behalf of the bank, may enter into service contracts to provide, or assist with the provision of, the technical assistance. Section 10295 and Article 4 (commencing with Section 10335) of Chapter 2 of Part 2 of Division 2 of the Public Contract Code do not apply to those service contracts.

(h) All financial assistance under the Climate Catalyst Revolving Fund Program approved by the bank board shall be consistent with the climate catalyst financing plan then in effect.

(i) (1) The bank shall prepare, and the bank board shall approve by majority vote of the board, criteria, priorities, and guidelines for the provision of financial assistance under the Climate Catalyst Revolving Fund Program. The bank board's approval of any financial assistance for a climate catalyst project shall take into consideration those criteria, priorities, and guidelines together with the relevant climate catalyst financing plan currently in effect. The criteria, priorities, and guidelines shall include, as factors for

determining whether to approve the provision of financial assistance, the ability of the sponsor or participating party potentially receiving financial assistance to satisfy any obligation incurred and the return of capital to the Climate Catalyst Revolving Fund.

(2) The bank board may consider additional factors when determining whether to approve financial assistance for a climate catalyst project, taking into consideration the relevant climate catalyst financing plan.

(3) The bank shall consider applications for financial assistance as they are received, on an ongoing basis, if there are available moneys remaining within the Climate Catalyst Revolving Fund to provide that financial assistance. The bank board's determination of whether to approve applications for financial assistance shall be based on the relevant climate catalyst financing plan and the criteria, priorities, and guidelines in effect at the time the bank received the application.

(4) A participating party or sponsor shall comply with the terms and conditions that control the use of the funds provided, if any.

(j) The bank shall provide financial assistance only for climate catalyst projects that the bank board approved before December 31, 2031.

(k) The bank is hereby authorized and empowered to enter into an agreement with the consulting agencies, or any other state agency as approved by the bank's board, to operate a program to provide financial assistance to any eligible sponsor or participating party either directly or to a lending or financial institution, in connection with the financing or refinancing of an eligible project, in accordance with such agreement or agreements. Information shared among consulting agencies and the bank, or between any consulting agency and the bank, does not constitute the waiver of any Public Records Act exemption applicable to each entity.

SEC. 2. Section 25640 of the Public Resources Code is amended to read:

25640. For purposes of this chapter, the following definitions apply:

(a) "Energy storage system" has the same meaning as defined in Section 2835 of the Public Utilities Code.

(b) "Thermal energy storage" means the storage of thermal energy for direct use for heating or cooling at a later time in a manner that avoids the need to use electricity at that later time.

(c) "Financial incentive" includes a contract, grant, loan, rebate, block grant, or other appropriate funding mechanism.

(d) "Under-resourced community" has the same meaning as defined in Section 71130.

SEC. 3. Section 25641 of the Public Resources Code is amended to read:

25641. (a) The commission shall establish and implement the Long-Duration Energy Storage Program to provide financial incentives for eligible projects, located at eligible storage facilities, that have power ratings of at least one megawatt and are capable of reaching a target of at least eight hours of continuous discharge of electricity at that power rating in order to deploy innovative energy storage systems to the electrical grid for purposes of providing critical capacity and grid services.

(b) The commission shall establish and implement an Industrial Facilities Thermal Energy Storage Program within the Long-Duration Energy Storage Program to provide financial incentives for eligible projects located at eligible facilities to decarbonize industrial facilities' use of heat and power. The commission may establish project and industrial facility guidelines for the purposes of this section that support the broader transformation of industrial facilities to ensure program resources support high-road jobs, community benefits, and the transition from fossil fuels to clean energy.

SEC. 4. Section 25642 of the Public Resources Code is amended to read:

25642. (a) The commission may establish project and storage facility eligibility guidelines for purposes of this chapter.

(b) Any eligibility guidelines established pursuant to subdivision (a) shall be consistent with both of the following requirements:

(1) "Eligible storage facility" shall include, but not be limited to, an energy storage system that is interconnected to the electrical grid in California or to a California balancing authority.

(2) (A) "Eligible project" shall include, but not be limited to, an eligible storage facility that includes any of the following:

(i) Compressed air or liquid air technologies.

(ii) Flow batteries, advanced chemistry batteries, or mechanical energy storage.

(iii) Thermal energy storage or aqueous battery systems.

(iv) A hydrogen demonstration project.

(B) "Eligible project" shall not include a pumped storage project or lithium-ion-based storage technology.

SEC. 5. Section 25645 of the Public Resources Code is amended to read:

25645. (a) In providing financial incentives pursuant to this chapter, the commission shall give preference to an eligible project that does one or more of the following:

- (1) Increases the reliability and resiliency of the electrical grid.
- (2) Adds electrical grid services when the electrical grid is stressed or anticipating pending energy challenges.
- (3) Increases the use of renewable energy, through reducing curtailment and shifting power usage from peak to off-peak times, and reduces the impact of climate change on the electrical grid or on connected facilities or communities, including by improving air quality, reducing emissions of greenhouse gases, or providing under-resourced communities with increased reliability and resiliency.
- (4) Lowers energy costs and provides employment opportunities for residents of under-resourced communities.
- (5) Interconnects to the electrical grid and is commercially operational by 2028.

(b) For applications received after January 1, 2027, the commission shall provide financial incentives to a project that involves the performance of work by contractors in the construction industry only if that work is performed pursuant to a project labor agreement that, at a minimum, meets the requirements of Section 2500 of the Public Contract Code.

SEC. 6. The heading of Article 2 (commencing with Section 25662) of Chapter 7.6 of Division 15 of the Public Resources Code is amended to read:

Article 2. Industrial Decarbonization and Improvement of Grid Operations Program

SEC. 7. Section 25662 of the Public Resources Code is amended to read:

25662. The commission shall establish and administer the Industrial Decarbonization and Improvement of Grid Operations Program to provide financial incentives for the implementation of eligible projects at eligible industrial facilities to provide significant benefits to the electrical grid, reduce emissions of greenhouse gases and health-harming pollutants, achieve the state's clean energy goals, and exceed compliance requirements.

SEC. 8. Section 25662.2 of the Public Resources Code is amended to read:

25662.2. (a) The commission may establish project and industrial facility eligibility guidelines for purposes of this article.

(b) The eligibility guidelines established pursuant to subdivision (a) shall be consistent with all of the following requirements:

- (1) "Eligible industrial facility" shall include, but not be limited to, a facility involved with manufacturing, production, and processing of materials, such as chemicals, metals, food and beverages, and nonmetallic minerals, including cement, glass, electronics, and pharmaceuticals, and related support facilities.
- (2) (A) "Eligible project" shall include, but not be limited to, the purchase and deployment of advanced technologies and equipment that is capable of doing at least one of the following:
 - (i) Enhance electrical grid reliability and enable industrial facility participation in utility load reduction programs, such as an emergency load reduction program.
 - (ii) Electrify processes that use gas or other fossil fuels to produce heat for industrial processes.
 - (iii) Incorporate energy storage, including thermal energy storage, or renewable energy resources.
 - (iv) Increase energy efficiency.
 - (v) Develop and deploy novel decarbonization technologies and strategies, including carbon capture of process emissions for use in products, such as carbonate mineralization and carbon curing of concrete that reduces or eliminates the emissions of greenhouse gases, except geologic storage.

(B) "Eligible project" shall not include a project to benefit an oil production, processing, or refining facility, to benefit a fossil gas production, processing, or refining facility, or to use captured carbon for enhanced oil and gas recovery.

(C) For applications received after January 1, 2027, a project that involves the performance of work by contractors in the construction industry shall be eligible for a financial incentive pursuant to this article only if the work is performed pursuant to a project labor agreement that, at a minimum, meets the requirements of Section 2500 of the Public Contract Code.

(D) A project shall only be eligible for a financial incentive pursuant to this article if the project will use technologies that exceed the best available control technology, as defined in Section 40405 of the Health and Safety Code, if applicable.

(E) For applications received after January 1, 2027, an eligible project for a facility that has a record of air permit violations shall separately develop a plan for pollution remediation, including for ecological and public health harms.

SEC. 9. Section 25662.4 of the Public Resources Code is amended to read:

25662.4. (a) In providing financial incentives pursuant to this article, the commission shall give preference to an eligible project that does one or more of the following:

(1) Provides significant benefits to the electrical grid, especially during net peak periods.

(2) Maximizes the reduction of the emissions of greenhouse gases.

(3) Reduces air pollution in under-resourced communities.

(4) Is located in an under-resourced community, as defined in Section 71130, or in an area out of compliance with the applicable federal Clean Air Act (42 U.S.C. Sec. 7401 et seq.) deadlines in nonattainment areas.

(5) Develops a community benefit fund or agrees to pursue a community benefits agreement with the surrounding community and other affected stakeholders.

(b) In providing financial incentives pursuant to this article, the commission shall prioritize an eligible project that reduces demand during net peak periods.

(c) (1) The commission shall consult with the State Air Resources Board to ensure that financial incentives provided pursuant to this article reduce the emissions of greenhouse gases under the statewide greenhouse gas emission limits in furtherance of the state's greenhouse gas reduction targets, to the extent feasible under the State Air Resources Board's regulatory programs.

(2) To comply with the requirements of this subdivision, the commission may require a recipient of a financial incentive to surrender to the State Air Resources Board the number of annual allowances allocated at no cost to the eligible industrial facility pursuant to the market-based compliance mechanism developed pursuant to Part 5 (commencing with Section 38570) of Division 25.5 of the Health and Safety Code equivalent to the greenhouse gas emissions reduced by the eligible project.

(d) A recipient of a financial incentive pursuant to this article shall not receive more than 20 percent of the moneys allocated pursuant to this article.