

AMENDED IN ASSEMBLY MAY 5, 2025

AMENDED IN ASSEMBLY APRIL 21, 2025

AMENDED IN ASSEMBLY APRIL 10, 2025

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

ASSEMBLY BILL

No. 527

**Introduced by Assembly Member Papan
(Coauthor: Assembly Member Rogers)**

February 10, 2025

An act to amend Section 21065.5 of, and to add *and repeal* Section 21080.67 ~~to~~, of, the Public Resources Code, relating to environmental quality.

LEGISLATIVE COUNSEL'S DIGEST

AB 527, as amended, Papan. California Environmental Quality Act: geothermal exploratory projects.

The California Environmental Quality Act (CEQA) requires a lead agency, as defined, to prepare, or cause to be prepared, and certify the completion of an environmental impact report on a project that it proposes to carry out or approve that may have a significant effect on the environment or to adopt a negative declaration if the lead agency finds that the project will not have that effect. CEQA also requires a lead agency to prepare a mitigated negative declaration for a project that may have a significant effect on the environment if revisions in the project would avoid or mitigate that effect and there is no substantial evidence that the project, as revised, would have a significant effect on the environment.

Existing law establishes the Geologic Energy Management Division in the Department of Conservation, under the direction of the State Oil

and Gas Supervisor, who is required to supervise the drilling, operation, maintenance, and abandonment of wells so as to permit the owners or operators of those wells to utilize all methods and practices known to the industry for the purpose of increasing the ultimate recovery of geothermal resources, as provided. Existing law requires the division to be the lead agency for all geothermal exploratory projects for purposes of CEQA, as specified, and authorizes the division to delegate its lead agency responsibility for geothermal exploratory projects to a county that has adopted a geothermal element for its general plan. Existing law also requires the county in which a geothermal project is located to assume the responsibilities of a lead agency for a geothermal exploratory project upon the request of an applicant, as specified. Existing law defines “geothermal exploratory project” in part as a project composed of not more than 6 wells and associated drilling and testing equipment whose chief and original purpose is to evaluate the presence and characteristics of geothermal resources.

This bill provides that “geothermal exploratory project” includes, among other things, equipment and activities necessary to establish interconnectivity between wells and reservoirs. The bill ~~would~~ *would, until January 1, 2031, exempt geothermal exploratory projects for which the county is the lead agency that meet specified conditions from CEQA. The bill would authorize the lead agency to require the project applicant to file an indemnity bond before it makes its determination pursuant to this exemption, as specified.* The bill would require the lead agency, at least 30 days before the making the determination to approve or carry out a change in use pursuant to this exemption, to post a written notice on its internet website and at the project site. *The bill would require, if the lead agency determines that the project is not subject to CEQA pursuant to this exemption, the lead agency to file a notice with the State Clearinghouse in the Office of Land Use and Climate Innovation and with the county clerk of the county in which the project is located, as provided.* Because the exemption would apply to projects where the county is the lead agency and the county would be required to determine if a project qualifies for this exemption, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

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

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) On October 22, 2024, the United States Department of the
4 Interior, under the leadership of President Joseph Biden and
5 Secretary of the Interior Deb Haaland, introduced a new categorical
6 exclusion from the National Environmental Policy Act for
7 “geothermal resource confirmation activities,” also known as
8 geothermal exploratory projects, on federal lands.

9 (b) This exclusion reflects a recognition that geothermal
10 exploratory projects are temporary activities that, when meeting
11 a high standard of environmental care and stewardship, should
12 result in no permanent negative impacts on the environment.

13 (c) Geothermal exploration is the necessary first phase of
14 developing new geothermal energy resources, including
15 next-generation geothermal energy resources like advanced
16 closed-loop and enhanced geothermal systems. California markets
17 feature a very high demand for geothermal energy, in part driven
18 by Public Utilities Commission decisions 21-06-035 (June 24,
19 2021), Decision Requiring Procurement to Address Mid-Term
20 Reliability (2023-2026), and 24-08-064 (August 22, 2024),
21 Decision Determining Need for Centralized Procurement of Long
22 Lead-Time Resources, which directed California’s load-serving
23 entities and the Department of Water Resources to procure
24 significant amounts of new geothermal energy over the years to
25 come.

26 (d) The resource portfolios identified by the Public Utilities
27 Commission to meet state climate goals are increasingly relying
28 on out-of-state next-generation geothermal energy development,
29 which both put California’s climate goals at risk and establishes
30 an unnecessary but permanent export of wealth by California
31 ratepayers.

32 (e) The first commercial-scale next-generation geothermal
33 energy resources are currently under development in Nevada and
34 Utah due to those states’ favorable regulatory environments, but

1 nearly all of that energy is anticipated to be sold to buyers in
2 California.

3 (f) Over 80 percent of Nevada and over 60 percent of Utah are
4 federal lands where the categorical exclusion will apply, as
5 compared to less than one-half of land in California. This has the
6 potential to exacerbate the perceived favorability of those states'
7 regulatory environments and drive more development aimed at
8 supplying the California market out of California.

9 (g) California must take an active role in ensuring that new
10 geothermal energy projects built to supply the California market
11 lead to investment and job creation in California and do not lead
12 to the export of investment, industry knowledge, and the California
13 geothermal, oil, and gas workforce to neighboring states.

14 (h) Next-generation geothermal energy development presents
15 a significant opportunity to attract investment capital and realize
16 community economic development and workforce development
17 benefits in California, including the development and preservation
18 of a skilled and trained construction workforce to carry out projects,
19 long-term apprenticeship and job creation, and the development
20 of a next-generation geothermal energy supply chain.

21 (i) California launched the global revolution in conventional
22 geothermal technologies in the 20th century. It has the geologic
23 resources, workforce, and clean energy economy to do so again
24 in the 21st century if decisive state action is taken today. The
25 National Renewable Energy Laboratory estimates that there could
26 be 27.9 gigawatts of development of next-generation geothermal
27 resources in California by 2050—over double that of any other
28 state.

29 (j) Aligning state law with forward-thinking federal policy on
30 geothermal exploration is a critical component of building a strong
31 geothermal energy economy in California.

32 SEC. 2. Section 21065.5 of the Public Resources Code is
33 amended to read:

34 21065.5. "Geothermal exploratory project" means a project as
35 defined in Section 21065 composed of not more than six wells and
36 associated drilling and testing equipment, including equipment
37 and activities necessary to establish interconnectivity between
38 wells and reservoirs, *temporary* roads, electric distribution lines,
39 and infrastructure to provide power for drilling and testing
40 equipment, whose chief and original purpose is to evaluate the

1 presence and characteristics of geothermal resources before
2 commencement of a geothermal field development project as
3 defined in Section 65928.5 of the Government Code.

4 SEC. 3. Section 21080.67 is added to the Public Resources
5 Code, to read:

6 21080.67. (a) This division does not apply to a geothermal
7 exploratory project, as defined in Section 21065.5, for which a
8 county is the lead agency pursuant to Section 3715.5, including
9 any permit, funding, or other approval by a state or local agency
10 for the geothermal exploratory project as may be required by this
11 division, if the lead agency determines that the geothermal
12 exploratory project meets all of the following conditions:

13 (1) The project does not include the production of geothermal
14 resources in commercial quantities.

15 (2) The project does not disturb more than ~~20~~ 12 acres of
16 previously undisturbed ground.

17 (3) The project's footprint does not ~~include~~ *include, or lie within*
18 *100 feet of*, any of the following:

19 (A) Wetlands.

20 (B) Rivers, streams, or riparian corridors, except temporary road
21 or electric distribution line ~~crossings~~. *crossings undertaken*
22 *pursuant to an agreement issued by the Department of Fish and*
23 *Wildlife pursuant to Chapter 6 (commencing with Section 1600)*
24 *of Division 2 of the Fish and Game Code.*

25 (C) Lands identified for conservation in an adopted natural
26 community conservation plan pursuant to the Natural Community
27 Conservation Planning Act (Chapter 10 (commencing with Section
28 2800) of Division 3 of the Fish and Game Code), a habitat
29 conservation plan pursuant to the federal Endangered Species Act
30 of 1973 (16 U.S.C. Sec. 1531 et seq.), or other adopted natural
31 resource protection plan.

32 (D) Identified habitat for species of special status identified by
33 state or federal agencies, including fully protected species
34 designated by the federal Endangered Species Act of 1973 (16
35 U.S.C. Sec. 1531 et seq.), the California Endangered Species Act
36 (Chapter 1.5 (commencing with Section 2050) of Division 3 of
37 the Fish and Game Code), or the Native Plant Protection Act
38 (Chapter 10 (commencing with Section 1900) of Division 2 of the
39 Fish and Game Code).

- 1 (E) Lands with a conservation easement unless determined
- 2 consistent with the terms or requirements of the easement.
- 3 (4) Unusual circumstances do not exist that would cause the
- 4 project to have a significant impact on the environment.
- 5 (5) The project is not located on a site that is included on any
- 6 list compiled pursuant to Section 65962.5 of the Government Code.
- 7 (6) The project will not cause a substantial adverse change in
- 8 the significance of a historical resource or a tribal cultural resource.
- 9 (7) The project includes full reclamation of all well pads,
- 10 temporary routes, and other disturbances, including the
- 11 reestablishment of vegetative cover with native plants, unless those
- 12 disturbances are incorporated into a subsequent geothermal field
- 13 development project, as defined in Section 65928.5 of the
- 14 Government Code.
- 15 (8) The project applicant has certified to the lead agency that
- 16 either of the following is true:
- 17 (A) The entirety of the geothermal exploratory project is a public
- 18 work for purposes of Chapter 1 (commencing with Section 1720)
- 19 of Part 7 of Division 2 of the Labor Code.
- 20 (B) If the geothermal exploratory project is not in its entirety a
- 21 public work, all construction workers employed in the execution
- 22 of the project will be paid at least the general prevailing rate of
- 23 per diem wages for the type of work and geographic area, as
- 24 determined by the Director of Industrial Relations pursuant to
- 25 Sections 1773 and 1773.9 of the Labor Code, except that
- 26 apprentices registered in programs approved by the Chief of the
- 27 Division of Apprenticeship Standards may be paid at least the
- 28 applicable apprentice prevailing rate. If the geothermal exploratory
- 29 project is subject to this subparagraph, then, for those portions of
- 30 the project that are not a public work, both of the following shall
- 31 apply:
- 32 (i) The project applicant shall ensure that the prevailing wage
- 33 requirement is included in all contracts for the performance of the
- 34 work.
- 35 (ii) All contractors and subcontractors shall pay to all
- 36 construction workers employed in the execution of the work at
- 37 least the general prevailing rate of per diem wages, except that
- 38 apprentices registered in programs approved by the Chief of the
- 39 Division of Apprenticeship Standards may be paid at least the
- 40 applicable apprentice prevailing rate.

1 ***(b) The lead agency may require the project applicant to file***
 2 ***an indemnity bond before it makes its determination pursuant to***
 3 ***subdivision (a). The bond, in a form and manner prescribed by***
 4 ***the lead agency, shall be in an amount sufficient to secure any***
 5 ***supplemental costs beyond the applicant’s bonding requirements***
 6 ***with the Geologic Energy Management Division, pursuant to***
 7 ***Section 3725, to secure full reclamation of the project site.***

8 ~~(b)~~

9 ***(c) At least 30 days before making a determination to approve***
 10 ***or carry out a change in use pursuant to this section, the lead agency***
 11 ***shall post a written notice of the intent to apply the exemption on***
 12 ***its internet website and at the project site.***

13 ***(d) If the lead agency determines that a project is not subject***
 14 ***to this division pursuant to this section, and the lead agency***
 15 ***determines to approve or carry out the project, the lead agency***
 16 ***shall file a notice with the State Clearinghouse in the Office of***
 17 ***Land Use and Climate Innovation and with the county clerk of the***
 18 ***county in which the project is located in accordance with***
 19 ***subdivisions (b), (c), and (d) of Section 21152.***

20 ***(e) This section shall remain in effect only until January 1, 2031,***
 21 ***and as of that date is repealed.***

22 **SEC. 4.** No reimbursement is required by this act pursuant to
 23 Section 6 of Article XIII B of the California Constitution because
 24 a local agency or school district has the authority to levy service
 25 charges, fees, or assessments sufficient to pay for the program or
 26 level of service mandated by this act, within the meaning of Section
 27 17556 of the Government Code.