



theclimatecenter.org

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March 21, 2024

The Honorable Senator Bradford
Chair, Senate Energy, Utilities and Communications Committee
1021 O Street, Room 3350
Sacramento, CA 95814

RE: SB 1018 (Becker) – Off-grid Renewables for Hydrogen and Industry – SUPPORT

Dear Senator Bradford,

I am writing on behalf of The Climate Center to support SB 1018 (Becker), which will adjust the “over-the-fence rule” ([CPUC Rule 218](#)) to allow companies producing green hydrogen or electrifying industrial heat processes to purchase clean electricity directly from large-scale renewable generators.

The Climate Center is a climate and energy policy nonprofit working to rapidly reduce climate pollution at scale. We are a think tank, do tank working collaboratively for accelerated, equitable climate policy in California. We know that as goes California, so goes the world. With the climate crisis rapidly worsening, we engage in cross-sector coalitions to enact bold, science-based policy that sparks innovation and channels market forces for speed and scale greenhouse gas reductions to benefit everyone.

As California moves toward net negative emissions, some of the toughest challenges are in reducing greenhouse gas (GHG) emissions from “hard-to-abate” industrial uses, mostly for producing process heat. Green hydrogen and thermal batteries both offer a path to reducing carbon pollution from hard-to-abate sectors. It will be important to support these new solutions in their early days, while making sure that they are truly relying on clean energy and that they will not overburden the electrical grid as they add large amounts of new energy demand.

One way to do that is to power hydrogen and industrial heat processes with off-grid renewable energy, which can be very low cost and would place no new burdens on the grid at all. Unfortunately, this off-grid approach is blocked today by the so-called “over-the-fence rule,” which considers any electrical generator who sells power directly to a customer to be a public utility, subject to extensive regulatory oversight, unless they can meet one of the narrow exceptions within the rule. Currently those exceptions allow for rooftop solar on homes, for example, but not for the kind of large-scale solar installations spread across many acres of land that are needed for commercial hydrogen production.

SB 1018 will enable the use of off-grid renewables by adjusting the over-the-fence rule so that large-scale renewable generation facilities can provide power directly to these climate-beneficial uses without being regulated as public utilities. The bill creates a narrow, new exception in the over-the-fence rule that will support these important use cases while retaining the rule’s important consumer protections against unregulated utility-like behavior.

We urge you to support this important reform which will unlock the ability of off-grid renewables to produce green hydrogen to decarbonize industrial heat.

Sincerely,

A handwritten signature in black ink, appearing to read "Ellie Cohen".

Ellie Cohen
Chief Executive Officer