AMENDED IN SENATE MAY 18, 2026

AMENDED IN SENATE APRIL 9, 2026

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AMENDED IN SENATE MARCH 9, 2026

SENATE BILL No. 887

Introduced by Senator Padilla
(Coauthors: Senators Arreguín and Weber Pierson)
(Coauthor: Assembly Member Connolly)

January 13, 2026

An act to amend Sections 21084, 21180, and 21183.6 of, and to add Section 21080.06 to, the Public Resources Code, relating to environmental quality.

LEGISLATIVE COUNSEL'S DIGEST

SB 887, as amended, Padilla. California Environmental Quality Act: environmental leadership development projects: data centers: clean energy powerplant projects.

(1) 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 it 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.

CEQA requires the Office of Land Use and Climate Innovation to prepare and propose guidelines for the implementation of CEQA by public agencies and requires the Secretary of the Natural Resources Agency to certify and adopt the guidelines. CEQA requires the guidelines to include a list of classes of projects that have been determined not to have a significant effect on the environment and that are exempt from CEQA, commonly known as categorical exemptions.

This bill would prohibit the application of categorical exemption to a project for the development and operation of a data center, as defined. By increasing the duties of a lead agency in relation to the environmental review of a data center project, this bill would impose a state-mandated local program.

(2) The Jobs and Economic Improvement Through Environmental Leadership Act of 2021 authorizes the Governor, until January 1, 2032, to certify environmental leadership development projects that meet specified requirements for certain streamlining benefits related to CEQA. The act, among other things, requires a lead agency to prepare the record of proceedings for an environmental leadership development project concurrent with the administrative process and to provide a specified notice within 10 days of the Governor certifying the project. The act specifies the quantification and mitigation of impacts from emissions of greenhouse gases of certain environmental leadership projects, as provided. The act is repealed by its own terms on January 1, 2034.

This bill would authorize the Governor to certify a data center project that is certified by the lead agency to meet specified conditions as an environmental leadership development project. The bill would require the State Energy Resources Conservation and Development Commission to develop uniform statewide standards for those conditions for data centers, require regular compliance reporting by operators of data centers for those conditions, and initiate enforcement proceedings in the event of noncompliance with those conditions, as appropriate. The bill would also authorize the Governor to certify a geothermal powerplant that meets certain criteria as an environmental leadership development project. The bill would require the quantification and mitigation of impacts for emissions of greenhouse gases of a data center project in the same manner as those certain environmental leadership projects. By increasing the duties of a lead agency, the bill would impose a state-mandated local program.

(3) 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:

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

(a) California drives worldwide technological innovation, and that innovation is an important component of the state's economy, which is the fifth largest economy in the world.

(b) California supports technological innovation with a world-class university system that provides a highly skilled workforce, and research and development tax incentives and other tools to facilitate the development and expansion of the state's technology economy.

(c) California is the home of the third largest number of data centers in the country behind Virginia and Texas.

(d) The quickly evolving development of artificial intelligence requires large-format data centers that currently require extremely large loads of electricity and water. While that expanded energy demand can help support the larger electrical grid and ordinary ratepayers, if managed incorrectly, it could pose a serious threat to California's climate goals and, more importantly, can result in significant cost shifts to ordinary ratepayers and risks of costly stranded assets if projects do not meet projected energy estimates.

(e) Ordinary ratepayers in many states are already experiencing significant rate increases for both energy and water as utilities race to build out the necessary infrastructure and meet the energy and water demands of an exploding number of data centers across the country.

(f) According to recent research, data centers have significantly increased electrical and water demand in California between 2019 and 2023 and that explosive growth is expected to increase through the rest of the decade.

(g) On the current trajectory, demand for electricity and water could rise over 350 percent in just five years between 2023 and 2028, creating significant cost pressures on electricity and access to clean water across the state of California.

(h) As the nation's technology, innovation, and environmental leader, it is critical that the Legislature develop standards to encourage continued technology development while protecting California residents from shouldering the cost of data center development and ensuring that development does not come at the cost of Californians' clean air and water.

SEC. 2. Section 21080.06 is added to the Public Resources Code, to read:

21080.06. Notwithstanding any other law, this division shall apply to the issuance of entitlements related to the development and operation of a data center as defined in Section 21084.

SEC. 3. Section 21084 of the Public Resources Code is amended to read:

21084. (a) The guidelines prepared and adopted pursuant to Section 21083 shall include a list of classes of projects that have been determined not to have a significant effect on the environment and that shall be exempt from this division. In adopting the guidelines, the Secretary of the Natural Resources Agency shall make a finding that the listed classes of projects referred to in this section do not have a significant effect on the environment.

(b) A project's greenhouse gas emissions shall not, in and of themselves, be deemed to cause an exemption adopted pursuant to subdivision (a) to be inapplicable if the project complies with all applicable regulations or requirements adopted to implement statewide, regional, or local plans consistent with Section 15183.5 of Title 14 of the California Code of Regulations.

(c) A project that may result in damage to scenic resources, including, but not limited to, trees, historic buildings, rock outcroppings, or similar resources, within a highway designated as an official state scenic highway, pursuant to Article 2.5 (commencing with Section 260) of Chapter 2 of Division 1 of the Streets and Highways Code, shall not be exempted from this division pursuant to subdivision (a). This subdivision does not apply to improvements as mitigation for a project for which a negative declaration has been approved or an environmental impact report has been certified.

(d) A project located on a site that is included on any list compiled pursuant to Section 65962.5 of the Government Code shall not be exempted from this division pursuant to subdivision (a).

(e) A project that may cause a substantial adverse change in the significance of a historical resource, as specified in Section 21084.1, shall not be exempted from this division pursuant to subdivision (a).

(f) (1) A project proposed to be carried out or approved by a public agency in furtherance of the development and operation of a data center shall not be exempted from this division pursuant to subdivision (a).

(2) For purposes of this subdivision, "data center" means a large-scale energy consumer that requires uninterruptible electricity to serve a facility housing servers and related equipment and software for the processing, storage, and distribution of data. *"Data center" does not include any of the following:*

(A) A publicly funded research facility.

(B) A public safety facility.

(C) A national security facility.

(D) A publicly owned facility.

(E) Other utility facilities, including, but not limited to, an asset of a facilities-based telecommunications provider.

(3) For purposes of paragraph (2), "facility" means physical property, a plant, a building, a structure, a source, or stationary equipment, located on one or more contiguous or adjacent properties in actual physical contact or separated solely by a public roadway or public right-of-way and under common ownership or common control.

SEC. 4. Section 21180 of the Public Resources Code is amended to read:

21180. For purposes of this chapter, the following definitions apply:

(a) "Applicant" means a public or private entity or its affiliates, or a person or entity that undertakes a public works project, that proposes a project and its successors, heirs, and assignees.

(b) "Environmental leadership development project," "leadership project," or "project" means a project as described in Section 21065 that is one of the following:

(1) A residential, retail, commercial, sports, cultural, entertainment, or recreational use project that is certified as Leadership in Energy and Environmental Design (LEED) gold or better by the United States Green Building Council and, where applicable, that achieves a 15-percent greater standard for transportation efficiency than for comparable projects. These projects must be located on an infill site. For a project that is within a metropolitan planning organization for which a sustainable communities strategy or alternative planning strategy is in effect, the infill project shall be consistent with the general use designation, density, building intensity, and applicable policies specified for the project area in either a sustainable communities strategy or an alternative planning strategy, for which the State Air Resources Board has accepted a metropolitan planning organization's determination, under subparagraph (H) of paragraph (2) of subdivision (b) of Section 65080 of the Government Code, that the sustainable communities strategy or the alternative planning strategy would, if implemented, achieve the greenhouse gas emission reduction targets.

(2) A clean renewable energy project that generates electricity exclusively through wind or solar, but not including waste incineration or conversion.

(3) A clean energy manufacturing project that manufactures products, equipment, or components used for renewable energy generation, energy efficiency, or for the production of clean alternative fuel vehicles.

(4) (A) A housing development project that meets all of the following conditions:

(i) The housing development project is located on an infill site.

(ii) For a housing development project that is located within a metropolitan planning organization for which a sustainable communities strategy or alternative planning strategy is in effect, the project is consistent with the general use designation, density, building intensity, and applicable policies specified for the project area in either a sustainable communities strategy or an alternative planning strategy, for which the State Air Resources Board has accepted a metropolitan planning organization's determination, under subparagraph (H) of paragraph (2) of subdivision (b) of Section 65080 of the Government Code, that the sustainable communities strategy or the alternative planning strategy would, if implemented, achieve the greenhouse gas emission reduction targets.

(iii) Notwithstanding paragraph (1) of subdivision (a) of Section 21183, the housing development project will result in a minimum investment of fifteen million dollars ($15,000,000) in California upon completion of construction.

(iv) (I) Except as provided in subclause (II), at least 15 percent of the housing development project is dedicated as housing that is affordable to lower income households, as defined in Section 50079.5 of the Health and Safety Code. Upon completion of a housing development project that is qualified under this paragraph and is certified by the Governor, the lead agency or applicant of the project shall notify the Office of Planning and Research of the number of housing units and affordable housing units established by the project.

(II) Notwithstanding subclause (I), if a local agency has adopted an inclusionary zoning ordinance that establishes a minimum percentage for affordable housing within the jurisdiction in which the housing development project is located that is higher than 15 percent, the percentage specified in the inclusionary zoning ordinance shall be the threshold for affordable housing.

(v) (I) Except for use as a residential hotel, as defined in Section 50519 of the Health and Safety Code, no part of the housing development project shall be used for a rental unit for a term shorter than 30 days, or designated for hotel, motel, bed and breakfast inn, or other transient lodging use.

(II) No part of the housing development project shall be used for manufacturing or industrial uses.

(B) For purposes of this paragraph, “housing development project” means a project for any of the following:

(i) Residential units only.

(ii) Mixed-use developments consisting of residential and nonresidential uses with at least two-thirds of the square footage designated for residential use.

(iii) Transitional housing or supportive housing.

(5) (A) A data center project certified by the lead agency to meet all of the following conditions:

(i) Pays the full cost of interconnection to prevent cost shifts to other ratepayers.

(ii) Does not increase fossil fuel consumption within the state.

(iii) Includes zero-carbon energy storage with at least four hours of capacity at 100 percent of forecasted peak demand for the facility.

(iv) Uses onsite zero-carbon energy storage to provide demand response services to the electrical grid.

(v) Relies on zero-carbon generation located behind the meter to the maximum extent feasible.

(vi) Recovers fully from the data center operator all electrical grid investments, including costs of new generating capacity, to serve the data center in the event the data center ceases operations.

(vii) Uses recycled water and water-efficient technology or waterless cooling systems.

(viii) Will rely on 100 percent zero-carbon electricity resources to serve hourly energy needs within five years of initial operations, of which 75 percent shall be newly developed.

(ix) Will meet the requirements of subdivision (c) of Section 21189.82.

(x) Enters into one or more legally binding and enforceable community benefits agreement with community-based organizations, such as workforce development and training organizations, labor unions, community foundations, local governmental entities, or California Native American tribes. In developing the community benefits agreement, the project applicant shall engage with nearby affected communities to identify community benefits that are priorities of the affected community. The community benefits agreement shall include an enforceable agreement that benefits the residents of nearby and affected communities and may include mitigation measures for environmental impacts.

(xi) Meets the requirements of Sections 25545.3, 25545.3.3, and 25545.3.5.

(B) For data center projects that are certified by the Governor pursuant to this chapter, the State Energy Resources Conservation and Development Commission shall develop uniform statewide standards for conditions specified in subparagraph (A), require regular compliance reporting by the operators of the data centers, and initiate enforcement proceedings in the event of noncompliance with those standards, as appropriate, that may result in the imposition of administrative civil penalties.

(C) For purposes of this paragraph, "data center" means a commercial facility primarily used to house computer servers and associated equipment for processing, storing, or transmitting ~~data that require at least 50 megawatts of peak demand.~~ *data.*

(6) A geothermal powerplant certified by the lead agency to meet both of the following conditions:

(A) Meets the criteria for an eligible renewable energy resource specified in subparagraph (A) of paragraph (1) of subdivision (d) of Section 21189.81.

(B) Meets the requirements of Sections 25545.3, 25545.3.3, and 25545.3.5.

(c) "Infill site" has the same meaning as set forth in Section 21061.3.

(d) "Transportation efficiency" means the number of vehicle trips by employees, visitors, or customers of the residential, retail, commercial, sports, cultural, entertainment, or recreational use project divided by the total number of employees, visitors, and customers.

SEC. 5. Section 21183.6 of the Public Resources Code is amended to read:

21183.6. (a) The quantification and mitigation of the impacts of a project described in paragraph (1), (2), (3), or (5) of subdivision (b) of Section 21180 from the emissions of greenhouse gases shall be as follows:

(1) The environmental baseline for greenhouse gas emissions shall be established based upon the physical environmental conditions in the vicinity of the project site at the time the application is submitted in a manner consistent with Section 15125 of Title 14 of the California Code of Regulations as those regulations existed on January 1, 2021.

(2) The mitigation of the impacts resulting from the emissions of greenhouse gases shall be achieved in accordance with the following priority:

(A) Direct emissions reductions from the project that also reduce emissions of criteria air pollutants or toxic air contaminants through implementation of project features, project design, or other measures, including, but not limited to, energy efficiency, installation of renewable energy electricity generation, and reductions in vehicle miles traveled.

(B) If all of the project impacts cannot be feasibly and fully mitigated by direct emissions reductions as described in subparagraph (A), the remaining unmitigated impacts shall be mitigated by direct emissions reductions that also reduce emissions of criteria air pollutants or toxic air contaminants within the same air pollution control district or air quality management district in which the project is located.

(C) If all of the project impacts cannot be feasibly and fully mitigated by direct emissions reductions as described in subparagraph (A) or (B), the remaining unmitigated impacts shall be mitigated through the use of offsets that originate within the same air pollution control district or air quality management district in which the project is located. The offsets shall be undertaken in a manner consistent with Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the requirement that the offsets be real, permanent, quantifiable, verifiable, and enforceable, and shall be undertaken from sources in the community in which the project is located or in adjacent communities.

(D) If all of the project impacts cannot be feasibly and fully mitigated by the measures described in subparagraph (A), (B), or (C), the remaining unmitigated impacts shall be mitigated through the use of offsets that originate from sources that provide a specific, quantifiable, and direct environmental and public health benefit to the region in which the project is located.

(b) It is the intent of the Legislature, in enacting this section, to maximize the environmental and public health benefits from measures to mitigate the project impacts resulting from the emissions of greenhouse gases to those people that are impacted most by the project.

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

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