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Proposed Preliminary Findings and Recommendations for Incentives and Investments from the May 26, 2022, Meeting for Discussion and Consideration by the Lithium Valley Commission

During the May 26, 2022, workshop on Incentives and Investments to Facilitate Lithium Extraction from Geothermal Brines and Development of Lithium-Dependent Products and Businesses, the Lithium Valley Commission was provided panel presentations and had discussions that included or reflected specific findings, proposed actions, and potential recommendations for the Lithium Valley Commission to consider. Following are proposed preliminary findings and recommendations resulting from the May 26, 2022, public meeting for Lithium Valley Commission consideration, refinement, and discussion.

Preliminary Findings:

A. Federal funding that may be available to support activities related to the development of lithium extraction and lithium dependent businesses includes but is not limited to:

1. Federal grants are available for battery material processing (Sec 40207(b)) and battery manufacturing and recycling (Sec. 40207(c)). Each grant awarded will be $50 million or more for large-scale demonstration projects for existing processing facilities. New commercial-scale battery material processing facilities can apply for a grant of $100 million or more. The scoring criteria emphasize community impact, including a requirement for an equity plan.
   a. More information will be coming on future funding opportunities for disadvantaged communities. U.S. DOE is developing guidelines for equity plans.
   b. U.S. DOE environmental justice staff is working to be responsive to comments from underserved and overburdened communities.

2. The federal Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization created an online clearinghouse for information on federal funding opportunities for communities. The funding clearinghouse is available online at https://energycommunities.gov/.

3. The U.S. Department of Energy has funded a $1.2 million project to improve quantification of lithium resources for Lithium Valley led by Lawrence Berkeley National Laboratory and conducted in partnership with UC Riverside. The study aims to clarify how much lithium can be extracted from brine used in geothermal power plants before the brine is reinjected underground, which will help remove uncertainty and risk and provide some clarity on the longevity of the resource supporting these facilities.
B. The Governor’s Office of Business and Economic Development (GO-Biz) provides no-cost, confidential services for incentive navigation.


2. California incentives require achievement of performance metrics. Examples of California Incentive Programs include:
   a. Corporate income tax credits, such as the California Competes Tax Credit Program (investment in high-poverty areas favored), R&D Corporate Income Tax Credit, New Employment Credit (hired from high-poverty designated geographic areas), and Homeless Hiring Tax Credit.
   b. Equipment tax exemptions/exclusions, such as the Partial Sales and Use Tax Exemption and California Alternative Energy and Advanced Transportation Financing Authority full sales and use tax exemption (there is an emerging industry category, including lithium)

3. Place-Based Incentives include Opportunity Zones/New Markets and tax increment financing tools for economic development districts. These place-based incentives and financing tools encourage investment specified areas. There are more than 270 federal programs that provide priority consideration for projects related to federal opportunity zones. The region near the Salton Sea where lithium extraction project development is planned is not currently designated as a federal opportunity zone.

C. The California Infrastructure and Economic Development Bank (IBank), provides financial assistance to support infrastructure and economic development in California. IBank provides loans to many parties including local governments for infrastructure projects, issues bonds, and provides loan guarantees that support small business. Examples of IBank programs include:

1. Infrastructure State Revolving Fund Program provides loans that can be used for roads, transit, power, broadband, industry, educational facilities, parks, and other projects. However, these loans cannot be used for housing. Loan amounts range from $50,000 to $25 million.

2. Climate Financing Program provides loans that can be used for greenhouse gas reduction, water conservation, environmental preservation, and related projects. Loan amounts range from $500,000 to $30 million.
3. The Bond Financing Program issues bonds (including green bonds) to construct, acquire, or improve government, public-benefit, educational, and industrial/manufacturing facilities.

4. For small business owners, IBank provides loan guarantees and has invested in the California Rebuilding Fund, which provides low-cost loans.

5. The Climate Catalyst program provides flexible, low-cost credit and credit support for critical climate solutions. This is a new program with an initial focus on reducing wildfire threats. IBank expects this program will add other climate solutions in the future.

D. California Organized Investment Network (COIN) in the California Department of Insurance provides a mechanism for private insurance companies to invest in community development and projects with positive environmental impacts, including projects in underserved communities. This program generates investment dollars for projects that provide benefits for local communities and the environment. Examples include renewable energy projects that benefit the environment and water infrastructure projects. COIN is interested in hearing from anyone seeking investors for eligible projects related to lithium extraction.

E. Infrastructure investments are being prioritized by Imperial County because strong infrastructure is needed to support the lithium extraction, processing, and related industrial and economic development. Imperial County is developing a specific plan for the infrastructure needs and quality of life improvements for areas within Imperial County. To develop the specific plan Imperial County intends to identify gaps, facilitate development, and conduct additional public outreach to learn about improvements local communities want to see.

F. Current incentive and investment programs are not easily accessible by the general public and additional information would help local businesses. A business service center is needed to help local businesses understand and participate in state and federal funding and technical assistance opportunities.

G. State budget commitments are critical to the success of development of a lithium extraction industry in the region and ensure investment addresses community concerns. The May Revision to the Governor Newsom’s proposed 2022/23 budget includes proposals for incentives related to developing lithium extraction activities in the Salton Sea region, including funding for transmission expansion, community outreach, education programs, and a Lithium Valley Development office. The budget is pending approval at this time and the proposals may change as the budget moves through the Legislature.
Preliminary Recommendations:

1. The Legislature should fund and establish a business service center in Imperial County. The service center should facilitate access to incentive programs available for disadvantaged communities, small businesses, and entrepreneurs.

2. The design of incentive and investment programs that support the development of lithium extraction, processing, and production and related businesses should consider the following:
   a. Including requirements for grant recipient businesses to provide direct community benefits.
   b. Ensure that incentive programs are developed for both industry and community needs. The local community benefits include, but are not limited to economic, hiring, and educational opportunities.

3. The Legislature should work with the appropriate federal parties to support incentives and other investments being developed for or coming to the Imperial Valley to support the development of lithium extraction and processing and related businesses, including but not limited to exploring a federal production tax credit and investment tax credit for low-impact methods for extraction and processing of lithium and other minerals from geothermal brine.