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

**SECTION 1.**

 The Legislature finds and declares all of the following:

(a) The United Nations’ Intergovernmental Panel on Climate Change has found that unless there are immediate, rapid, and large-scale reductions of greenhouse gas emissions within the next decades, limiting global warming to 1.5 degrees Celsius or 2 degrees Celsius will be unattainable.

(b) In 2018, Governor Brown issued Executive Order No. B-55-18, which ordered a statewide goal to achieve carbon neutrality as soon as possible, but no later than 2045, and achieve and maintain net negative emissions thereafter.

(c)  Under the updated Regional Housing Needs Assessment (RHNA), cities will face significant increases in housing production goals over the next 10 years.

(d) To meet these increased goals from the RHNA, a considerable expansion of construction will have to occur statewide.

(e) In recent years, building decarbonization has become a growing priority for the state. As a result, the State Air Resources Board and State Energy Resources Conservation and Development Commission may include building decarbonization in future updates to the Scoping Plan and Integrated Energy Policy Report.

(f) The Building Efficiency Standards, codified in Chapter 10 (commencing with Section 10-101) of Part 1 of, and Part 6 (commencing with Section 100.0) of, Title 24 of the California Code of Regulations, address energy and water efficiency requirements for the operation of newly constructed buildings, additions to existing buildings, and alterations to existing buildings.

(g) Those standards do not address the construction phase of buildings or the broader lifecycle impacts beyond direct energy and water inputs during the operation or use phase of the building.

(h) California is currently facing a housing shortage, and it is imperative that the state meet its housing goals. However, meeting those goals should not come at the expense of California’s climate goals. It is the responsibility of the state to find solutions that allow housing and climate targets to reinforce one another.

(i) The rising costs of building materials are a threat to affordable housing in the state.

(j) Through conscious design to reduce materials used and the employment of low-carbon construction materials, the embodied carbon of a building can be reduced with no increased cost to the owner.

(k) There has been a growing early market for low-carbon building materials, including companies inside California. Further growth of this sector can create economic benefits for the state.

(l) There is momentum at the federal and state levels to decarbonize the building sector. California can continue to be a leader on climate by taking early steps to measure and reduce the embodied carbon of building materials.

**SEC. 2.**

 Chapter 7.8 (commencing with Section 25680) is added to Division 15 of the Public Resources Code, to read:

**CHAPTER  7.8. Carbon Intensity of Building Construction**

**25680.**

(a) (1) The commission, in consultation with the Building Standards Commission, State Air Resources Board, Department of Housing and Community Development, and other relevant stakeholders, shall develop a framework for measuring and then reducing the average carbon intensity of the materials used in the construction of new buildings, including those for residential uses, compared to baseline materials. By January 1, 2024, the commission shall develop a comprehensive strategy for the state’s building sector to achieve an 40% net reduction in greenhouse gas emissions of building materials as soon as possible, but no later than December 31, 2035. The baseline shall be established based on an industry average of environmental product declarations reported during the calendar years of 2024 and 2025. The commission shall determine the industry average by consulting recognized databases of environmental product declarations and data submitted to the Commission by material manufacturers during the reporting years of 2024 and 2025. If the department determines that the facility-specific environmental product declarations available do not adequately represent the industry as a whole, it may use industry wide environmental product declarations based on domestic production data in its calculation of the industry average.

(2) To ensure adequate progress is made toward achieving the goal established above, the commission shall utilize an interim target of 20% net reduction by December 31, 2030.

(3) By July 1, 2029, the commission shall evaluate the feasibility and cost impact of achieving the interim target established under paragraph (2) and may adjust the interim target upward or downward to reflect technological advancements and progress in addressing barriers to the deployment of greenhouse gas emissions reduction technologies and processes in the manufacture of building materials, including those barriers for which measures have been identified.

(4) If the commission makes a downward adjustment to the interim target established under paragraph (2), the commission shall document the feasibility and cost impact constraints the commission has identified and recommend measures and actions, including proposed statutory changes, necessary to overcome those constraints to enable the building sector to achieve an 40 percent net reduction in emissions of greenhouse gases of building materials as soon as possible, but no later than December 31, 2035.

(b) The framework shall include both of the following:

(1) A requirement for the submission by an entity undertaking the construction of a project with a minimum size of five new residential units or 10,000 square feet of nonresidential building space, of a whole building life-cycle assessment, as defined in the International Organization for Standardization (ISO) 14040 series of standards with a focus on the Product Stage phases (A1—A3), to determine the carbon intensity of the materials used in new residential and nonresidential buildings.

(2) A requirement for the submission by the manufacturer of a building material, of an Environmental Product Declaration, Type III, as defined by the International Organization for Standardization (ISO) Standard 14025, or similarly robust life-cycle assessment methods that have uniform standards in data collection consistent with ISO Standard 14025, industry acceptance, and integrity for construction materials used for the building. The commission shall determine a process in the event that insufficient lifecycle assessment or Environmental Product Declaration exists, or in the event of significant supply chain issues.

(c) The framework developed pursuant to subdivision (a) may include a tracking and reporting mechanism that would facilitate the achievement of the goals set forth in this section and a system of credits that can be traded among private entities and would track the transactions of the credits. Except for a fee to reimburse the commission for any administrative costs incurred in administering the reporting mechanism, the commission shall not impose any other charges on the participants in the reporting mechanism authorized under this subdivision.

(d) The commission shall assess the cost impact and feasibility of implementation, and establish a system for consideration of cost impacts and feasibility issues.

(e) As used in this section:

(1) “Feasibility” means that new materials are capable of being installed in a successful manner within a reasonable period of time, taking into account economic, environmental, legal, social and technological factors.

(2) “Cost impact” means all of the following:

(A) New materials do not harm the health or safety of those who install the materials or occupy the building;

(B) (i) The building design can reasonably incorporate the materials without significantly increasing the material cost or schedule, or increasing the energy and operational cost;

(ii) An increase of five percent or more in the costs or schedule attributable to the use of the lower carbon material compared to the baseline material for which they are a substitute in the project is a significant increase. For purposes of this paragraph, the baseline material shall be the material used by the entity undertaking the construction of the project during the calendar year of 2022. If the entity undertaking the construction of the project did not exist in 2022, then the baseline material shall be the material used during the first calendar year of its existence.

(C) The building can be designed to provide the same function and at least the same useful life, performance and durability as the baseline building;

(D) The material is commercially available in the region of the project.

(E) The material has not been involved in a claim for a construction or design defect, breach of express or implied warranty, fraud, or misrepresentation.

(F) The material provides the same function and at least the same useful life, performance and durability as the baseline material.

(f) The Office of Planning and Research shall evaluate the circumstances in which the use of low-embodied carbon building materials or carbon sequestration in building materials is an acceptable mitigation measure pursuant to the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

(g) The commission shall allow the entity undertaking the construction of a project to use the same persons as those responsible for the Certificate of Installation pursuant to Section 10-103(a)3 of Title 25 of the California Code of Regulations in submitting, reporting, notifying, tracking or any other conveyance if information to the commission.

(h) The targets established by this section shall begin to apply no sooner than January 1, 2027. The applicable target for all residential units built within a project shall be the target that applied at the time of the submittal of the application for a building permit of the first model home in the project. For projects that do not use model homes, the applicable target shall be the target in effect at the time of submission of the application for the building permit.

(i) If the entity undertaking the construction of a project finds that it is unable to achieve the applicable target after the entity applies subdivision (e) and there are no alternative materials compliant with subdivision (e) that would allow the project to achieve the target, then the project shall be deemed to comply with the applicable target.

(j) This Chapter does not apply to appliances.

(k) For purposes of the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code), no adverse environmental impact associated with the manufacture of building materials may be attributed, directly or indirectly, to the project incorporating the building material. This subdivision does not relieve the entity undertaking the construction of a project from compliance of any other provision within this Chapter.

**25681.**

 To facilitate the achievement of the goals set forth in Section 25680, the commission shall do both of the following:

(a) Prioritize actions that leverage state and federal incentives, where applicable, to reduce costs of implementing greenhouse gas emissions reduction technologies, processes, and materials used in construction-related projects for the construction industry, homeowners, and developers, and to increase economic value for the state.

(b) Evaluate measures to support market demand and financial incentives to encourage the production and use of materials used in construction-related projects with low greenhouse gas intensity, including, but not limited to, consideration of both of the following measures:

(1) Measures to expedite the adoption for use in projects undertaken by state agencies, including the Department of Transportation and the Department of General Services.

(2) Measures to provide financial support and incentives for research, development, and demonstration of technologies to mitigate emissions of greenhouse gases from the manufacture of materials used in construction-related projects, with the objective of accelerating commercial availability of those technologies.