CEQA's Advanced Manufacturing Streamlining Test

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SB 954 marks the next stage in the California Environmental Quality Act (CEQA) reform debate. The issue is no longer whether streamlining belongs in the law. It's whether the California Legislature can define industrial exemptions precisely enough to accelerate lower-risk projects without creating avoidable environmental, community, and litigation risk.

California's 2025 CEQA reforms aimed to reduce delays for projects tied to statewide priorities, including housing, infrastructure, health care, food access, and advanced manufacturing. For regulated businesses, that shift matters. California needs faster approvals to meet its climate, housing, supply chain, and economic development goals.

But streamlining depends on fit. A statutory exemption works best when it covers projects with predictable and manageable environmental effects. Advanced manufacturing presents a harder problem. The category can include facilities with sharply different operations. A final assembly facility, a battery plant, and a chemical-intensive industrial process may all use advanced technology but present very different risks for air emissions, hazardous materials, water use, fire safety, and nearby communities.

SB 954 responds to that concern. The bill would revise the advanced manufacturing exemption by adding location, emissions, risk, community, labor, and certification standards before a project could qualify. SB 954 has not yet become law; after passing the Senate, it moved to the State Assembly on May 26, 2026, where it was read for the first time and held at the desk. For businesses, the message is clear: CEQA streamlining remains valuable, but exemption strategy now requires a defensible, project-specific record.

The Exemption Problem

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CEQA generally requires a lead agency to decide whether a project may cause a significant environmental effect. Depending on the record, the agency may prepare an environmental impact report (EIR), adopt a negative declaration, or adopt a mitigated negative declaration. That process discloses impacts, evaluates mitigation, and creates a record for judicial review.

The 2025 reforms created a statutory CEQA exemption for certain advanced manufacturing facilities on sites zoned exclusively for industrial uses. That statutory structure matters. CEQA's categorical exemptions, adopted through the CEQA Guidelines, include express exceptions. Most notably, an agency may not use a categorical exemption when unusual circumstances create a reasonable possibility of significant environmental effects. The California Supreme Court confirmed that rule in *Berkeley Hillside Preservation v. City of Berkeley* (2015) 60 Cal.4th 1086.

A statutory exemption works differently. Unless the Legislature builds conditions into the statute, the CEQA Guidelines' categorical-exemption exceptions do not provide the same project-specific safety valve. The Legislature may decide that some projects deserve faster treatment. But when an exempt category covers industrial facilities with varied environmental profiles, the statutory conditions must do more screening work. SB 954 seeks to add that precision.

SB 954's Screen

SB 954 would remove advanced manufacturing from the broader exemption and create a narrower path for qualifying facilities. The bill would limit eligibility to facilities used exclusively for "final tier manufacturing," which it defines as final assembly, integration, final quality control, or packaging of a completed, market-ready product. It excludes raw material production and intermediate components or subassemblies not sold or distributed as complete end-use products.

That distinction shifts the exemption away from a broad technology label and toward the operational question that drives environmental risk. A facility that assembles a finished product often presents a

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different risk profile than one that processes raw materials or manufactures chemical or industrial inputs. Whether the final bill draws that line with enough precision remains the central design question.

SB 954 would also add location-based limits. A qualifying project would need to sit on land zoned exclusively for heavy industrial uses as of January 1, 2026. It could not sit within 1,600 feet of a sensitive receptor or within 1,000 feet of a disadvantaged community, including communities identified under Health and Safety Code section 39711, unincorporated communities, and census tracts in the highest 15% of CalEnviroScreen Pollution Burden scores.

The bill would also require emissions and risk screening. A project could not exceed specified thresholds for reactive organic gases, oxides of nitrogen, PM10, PM2.5, methane, oxides of sulfur, or carbon monoxide. It would also need to comply with a qualifying community risk-reduction plan or show that increased cancer risk and noncancer hazards remain below specified levels for receptors within 1,000 feet of the facility fence line. SB 954 also requires zero-emission backup generation and excludes projects on natural and protected lands, including projects that would cause significant adverse impacts to tribal cultural resources unless an enforceable agreement addresses those impacts. and.

Certification Record

SB 954 would require gubernatorial certification. To qualify, a project must satisfy the bill's eligibility criteria, achieve LEED Gold or better, and show significant improvements over industry standards for energy consumption, water consumption, water quality, PFAS effluent, and air quality.

LEED certification focuses mainly on building performance. It does not, by itself, resolve whether manufacturing operations create process emissions or hazardous-materials concerns. That distinction matters because SB 954 uses certification to decide whether a project may bypass ordinary CEQA review. The certification record must therefore do more than recite design features. It should connect the project's operations, emissions

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profile, resource demands, risk controls, and community commitments to the statutory eligibility criteria.

This model differs from the Environmental Leadership Development Project framework first enacted through AB 900 and later amended. That framework allows the governor to certify qualifying projects for expedited CEQA judicial review, but certified projects still proceed through environmental review and final EIR certification. SB 954 would use gubernatorial certification for a different purpose: determining whether an advanced manufacturing project qualifies for an exemption from CEQA review.

SB 954 would also require at least one public hearing before the lead agency decides whether the exemption applies. It would require a community benefits agreement with enforceable commitments for local environmental mitigation, high-road employment standards, job access, and community improvements. Businesses should treat these requirements as a durability measure. A strong exemption record and bona fide community benefits agreement can reduce litigation risk, improve local acceptance, and distinguish lower-impact projects from facilities with greater operating concerns.

What Companies Should Do

Companies should read SB 954 as evidence that industrial exemptions will face closer scrutiny when statutory language does not address project-specific environmental risk.

- **First, evaluate exemption eligibility early.** Under SB 954's current structure, threshold review includes heavy-industrial zoning, sensitive-receptor buffers, disadvantaged-community buffers, CalEnviroScreen data, emissions thresholds, community-risk criteria, tribal cultural resources, protected lands, and backup power.
- **Second, build a record even when no EIR is required.** Statutory exemptions reduce process. They do not eliminate the need to prove that the project fits the exemption. A thin record may save time at the front end and create risk at the back end.

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- **Third, treat community engagement as part of the entitlement strategy.** CEQA exemptions narrow formal review, but public concern often remains. For industrial projects, opposition may shift to hearings, political advocacy, media scrutiny, and litigation over exemption eligibility.

SB 954's broader lesson is that speed and precision can work together. California needs advanced manufacturing. It also needs a permitting framework that distinguishes final-product assembly from more intensive industrial operations.

For companies planning projects now, durable reliance on streamlining will depend on proof that the project's environmental profile fits the exemption the Legislature provides. SB 954 therefore tests whether California can make CEQA streamlining work for industrial development without sacrificing the project-specific discipline that makes approvals durable.

If you have specific questions about SB 954, CEQA exemptions, permitting strategy, or how these developments may affect your project, please contact the author or any attorney with FBT Gibbons' Environmental Practice Group.

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