



Evaluating New Mexico's Progress on Critical Climate Targets + the Role of the Power Sector

October 4, 2023

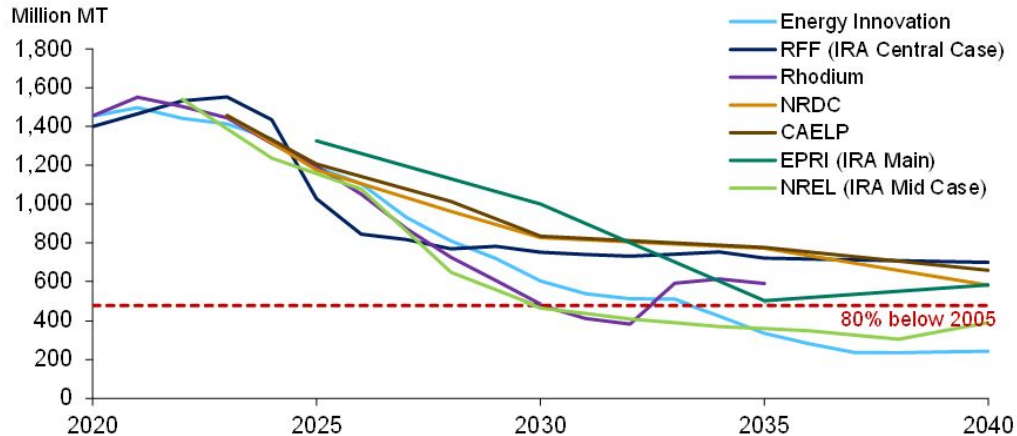
Alex DeGolia

Overview - Climate and Power Sector Goals

- New Mexico's climate goals:
 - EO 2019-003: **45%** reduction below 2005 levels by 2030 (2005 baseline).
 - USCA Membership consistent w/ US NDCs: **26-28%** by 2025, **50-52%** by 2030 (2005 baseline), **net-zero** by 2050.
- Requirements established in the ETA:
 - 40% RES by 2025 (all utilities)
 - 50% RES by 2030 (all utilities)
 - 80% RES by 2040 (all utilities)
 - 100% carbon-free electricity by 2045 (IOUs) and 2050 (RECs)
- EDF emissions analysis uses Rhodium Group's US Climate Service and includes all policies in place as of June 2023, including IRA and BIL.



The power sector pollution reduction impacts of the IRA are substantial and highly uncertain



- It is clear the IRA will have an impact. However:
- The IRA provides economic incentives for clean electricity. Modeling the response to these incentives is challenging.
- These projections are all derived from models that solve for least-cost and assume that all decision-making is economically optimal (given constraints).

Source: unpublished memo by ERM – IRA modeling comparison

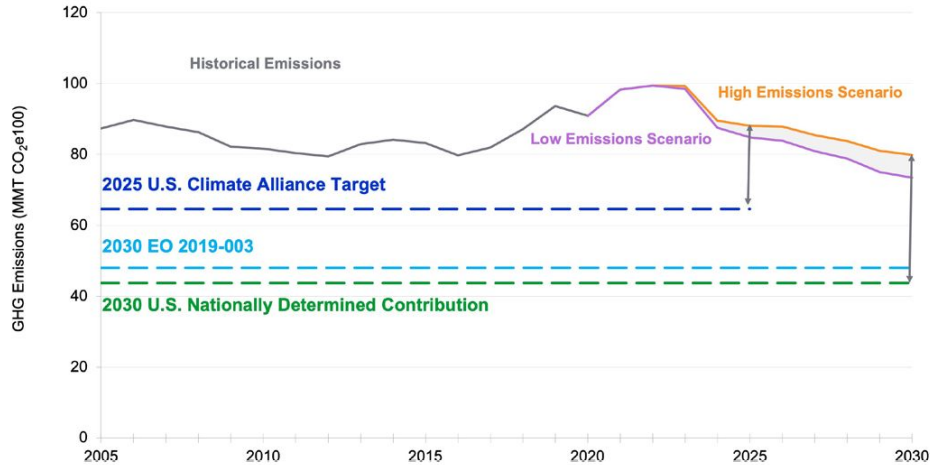
Although the Mid case represents a central reference scenario, it is **not intended to be a prediction of the most likely outcome** of the evolution of the power sector under IRA and BIL. Rather it represents a projection of the evolution of the power sector under a specific set of market, technology, and policy conditions. While the technology and fuel cost projections used in the Mid case (and other cases using the reference cost projections) do represent 'best guesses,' this scenario does not consider the full suite of drivers of investment decisions, in particular, those that are associated with behavior that deviate from least-cost optimization. As a result, **the Mid case more closely represents the power system evolution that would occur if all economically optimal investment and retirement opportunities were executed.**

<https://www.nrel.gov/docs/fy23osti/85242.pdf>



Results

New Mexico Economy-Wide Emissions Projections and Targets



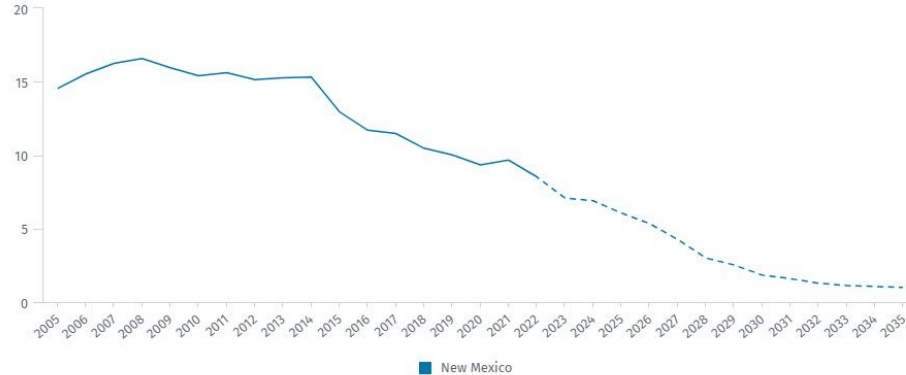
New Mexico Projected Reductions from 2005

Target Year	High Emissions	Central Emissions	Low Emissions
2025	-1%	1%	3%
2030	9%	13%	16%

New Mexico's Power Sector Emissions Trajectory

Emissions by state for selected sectors

Million metric tons of CO₂e



New Mexico Projected Power Sector Reductions from 2005			
Target Year	High Emissions	Central Emissions	Low Emissions
2025	59%	58%	63%
2030	83%	87%	89%
2035	89%	93%	95%

Key Benefits of the Energy Transition Act

1. Updated **renewable energy standard** drives deployment of clean electricity resources, cuts pollution that drives climate change and adverse health outcomes.
2. Dedicated renewables deployment to replace San Juan Generating Station and **benefit nearby communities**.
3. **Ratepayer savings** due to inexpensive new renewable energy. PNM recently agreed to return **\$115m back to customers**.
4. Dedicated **funding for worker transition**, including **apprenticeships** and other job retraining.

Building on ETA - New State Policy Leadership

1. Focus on **consistent, declining cuts to carbon pollution** that can **deliver concrete reductions** in climate pollution and prevent backsliding.
2. Broaden focus well beyond power sector by adopting **comprehensive climate change legislation** that limits economy-wide emissions consistent with the state's goals.
3. Expand transition support to ensure policies are designed to **support a just transition** for the state's workers and communities.



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