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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/07  
 SPONSOR HTPWC LAST UPDATED 2/24/07 HB 218/HTPWCS  
 SHORT TITLE Require Biodiesel in Motor Vehicle Fuel SB \_\_\_\_\_  
 ANALYST Williams

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SB 489

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Higher Education Department (HED)

New Mexico Department of Agriculture (NMDA)

Energy, Minerals and Natural Resources Department (EMNRD)

### SUMMARY

#### Synopsis of Bill

The House Transportation and Public Works Committee Substitute for house bill 218 extend the Petroleum Products Standards Act to biodiesel. Biodiesel is defined. After July 1, 2010 and before July 1, 2012, all diesel fuel sold to state agencies, political subdivisions of the state and public schools for use in motor vehicles on New Mexico streets and highways shall contain five percent biodiesel. After July, 1, 2012, all diesel fuel sold to consumers for use in motor vehicles on the streets and highways of New Mexico shall contain five percent biodiesel. These standards may be temporarily suspended by the director, as discussed below.

The bill includes a “safety valve” which suspends the content requirement based on product availability and price. The bill authorizes the Director of NMDA in consultation with the Secretary of EMNRD to suspend sale of biodiesel for a period of up to six months under the following circumstances: 1) when it is determined that sufficient amounts of biodiesel are not available to meet the specified demand; or 2) the price of biodiesel blend fuel significantly

exceeds the price of diesel fuel for at least two months.

## **FISCAL IMPLICATIONS**

The bill does not contain an appropriation.

## **SIGNIFICANT ISSUES**

The Petroleum Products Standard Act is administered by the New Mexico Department of Agriculture, within the New Mexico State University Board of Regents. Within this regulatory framework, the board shall adopt rules and regulations necessary to administer and enforce the Act. The Director may take appropriate actions and enforce the provisions of the Petroleum Products Standards Act to include quality standards, tests, and methods of conducting analyses on petroleum products manufactured, stored, kept, sold or offered for sale in New Mexico.

NMDA expresses a number of concerns regarding implementing the “safety valve” mechanism as follows:

- Knowledge of produce location during distribution
- Compliance determination at retail level
- Possible commingling of varying biodiesel percentages in retail storage
- Commingling would make product analysis difficult; therefore, effective enforcement would be compromised

Significant time and resources for the determination of market conditions, product location, and dispenser labeling would be necessary when market “safety valves” are triggered.

Some of these concerns may be addressed through the rule making process, requiring wholesalers and retailers to notify NMDA when market triggers had been hit.

## **PERFORMANCE IMPLICATIONS**

Currently, under the regulatory function for the standards and consumer services division, NMDA monitors the accuracy of over 25,000 fuel dispensers per year, and collects and analyzes over 8,000 samples per year of petroleum products for compliance with state standards.

HED notes “as a member in the Chicago Climate Exchange, the State of New Mexico is required to reduce greenhouse gas emissions or be forced to purchase credits.” Both HED and EMNRD note HB 218 supports Executive Order 2005-033, 2005-049, and 2006-69 requiring the increased use of renewable fuels in New Mexico state government.

## **ADMINISTRATIVE IMPLICATIONS**

NMDA notes the fuel will be routinely collected and analyzed through its regulation of petroleum products. Also, the department notes the extension to biodiesel products in 2010 (2012 retail) may necessitate additional personnel. EMNRD notes there will be temporary administrative implications to ENMRD in the rule-making process.

**OTHER SUBSTANTIVE ISSUES**

EMNRD notes:

“Biodiesel, specifically peanut oil, was the first fuel used by Rudolf Diesel in his demonstration engines one hundred years ago. Biodiesel (B100) is a renewable fuel produced from domestically produced oils such as soybean oil, animal fats or recycled cooking oil and can be blended with diesel in any proportion with good emissions and lubricity performance. When blended with Ultra Low Sulfur Diesel, biodiesel provides lubrication characteristics lost by reduced sulfur content, benefiting fuel system and engine components. Lower friction because of higher lubricity of biodiesel can improve fuel economy with power output and torque equal to conventional diesel. Biodiesel has a higher cetane rating than conventional diesel as well as higher oxygen content. Oil change interval frequency may be reduced. Biodiesel is non-toxic and biodegradable. All diesel engine emissions are reduced depending on engine design; the biodiesel fraction reduces greenhouse gas emissions. It is safer than conventional diesel because of its higher flash point. Biodiesel reduces our dependence on foreign oil while benefiting domestic agriculture. Biodiesel use in New Mexico will stimulate agricultural crop production for biofuels feedstock and economic development in the agricultural sector. “

**ALTERNATIVES**

NMDA suggests “Letting the evolution of the industry, fuel requirements, auto manufacturers recommendations, economics etc dictate what is needed in the future, would be a more appropriate” mechanism, rather than mandating a content percentage in state statute.

AW/nt