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FISCAL IMPACT REPORT

ORIGINAL DATE 02/06/15
LAST UPDATED 03/12/15 **HB** _____

SPONSOR Shendo

SHORT TITLE Study Natural Gas Flaring & Venting **SM** 29/aSRC

ANALYST Cerny

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate but Insignificant	NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Indian Affairs Department (IAD)

Energy, Minerals and Natural Resources Department (EMNRD)

No Response Received

Department of Finance and Administration (DFA)

New Mexico Environment Department (NMED)

SUMMARY

Synopsis of SRC Amendment

Senate Rules Committee amendment to SM 29 would add “water and natural resources”, to line 3 page 12, presumably to add this committee to those named as receiving the joint task force’s findings.

However, the “.” in the amendment and the retention of the first “and” in line 12 appear to create a technical error, making the sentence unclear.

Both the period in the SRC amendment and the first “and” on page 2, line 12 should be deleted.

Synopsis of Original Bill

Senate Memorial 29 directs four departments to study the economic and environmental impact of

the increase in natural gas flaring and venting in New Mexico.

The joint task force would be convened by the EMNRD, the NMED; the IAD; and DFA. The memorial requests the task force report its recommendations to the interim legislative committee that studies economic and rural development; to the Indian Affairs Committee; and the Revenue Stabilization and Tax Policy Committee.

SM 29 also requests that the study be shared with New Mexico's congressional delegation and with relevant units of the US Department of the Interior, including the Bureau of Land Management and the Bureau of Indian Affairs.

FISCAL IMPLICATIONS

SM 29 carries no appropriation.

There will be a fiscal impact on agencies to conduct research, review data and participate in the task force. The impact will increase for whichever agencies leads the task force.

SIGNIFICANT ISSUES

According to the Canadian Association of Petroleum Producers:

Flaring is a controlled burning of natural gas. Venting is the word used to describe natural gas that is released. Both flaring and venting release greenhouse gases, sulphur dioxide (SO₂) and methane into the atmosphere.

There are a number of situations where flaring and venting become necessary. When a company develops an oil well, sometimes natural gas is also found. When the oil comes to the surface, the gas can expand and come out of the well. If the amount of gas is too small to warrant building a pipeline or other infrastructure to bring it to market, it is flared or vented. Flaring also occurs at facilities (oil batteries, gas plants and upgraders) to safely remove gas prior to plant maintenance or if there is a problem with the facility.

Flaring and venting are two negative environmental consequences of oil and gas production, and the public is concerned about the potential environmental effects, possible health risks and climate change.

<http://www.capp.ca/environmentCommunity/airClimateChange/Pages/FlaringVenting.aspx>

SM 29 is sparse on the details of how the task force will work which may hinder the task force. For example, SM 29 includes four agencies in the task force but does not name an agency to head the task force.

SM 29 does not request federal agencies to participate in the task force. Both the Bureau of Land Management and the Environmental Protection Agency have been tasked by the President to look at flaring as part of the regulation of greenhouse gases including methane. Each may produce proposed rules that will have a great impact on state regulation.

SM 29 contains no deadline for the task force to report its findings to legislative committees and federal entities. Is the intention for the report to be completed by the next legislative session?

IAD analysis states:

It is in the interest of New Mexico tribes, pueblos and Navajo Nation to study the economic and environmental impacts of gas flaring and venting; New Mexico has one of the United States' major producing regions of gas with significant gas activity: the Four Corners Power Plant. "The Four corners area, which is made up of Northwestern New Mexico, Southwestern Colorado, Northeastern Arizona and Southeastern Utah, contains the San Juan Basin which is one of the premier gas deposits in the United States. The San Juan Basin has contributed more than eight percent of the nation's current natural gas supply. Our area has produced more than 370 million barrels of oil and nearly 38 trillion cubic feet of natural gas. There are currently more than 20,000 producing wells with a prediction of up to 5,000 additional wells targeting natural gas in the upcoming years. The United States Geological Survey projects possible undiscovered resources at more than 50 trillion cubic feet of natural gas, 148 million barrels of natural gas liquids and between 7 and 35 million barrels of oil. (Four Corners Oil and Gas Conference, www.fourcornersoilandgas.com/index.html)

The Four Corners Power Plant, located on Navajo Indian reservation west of Farmington, New Mexico is fueled by low-sulfur coal from the nearby Navajo mine. It is owned by six utilities in the Southwest. Nearly 80 percent of the employees at the plant are Native American.

New Mexico's pueblos, tribes and Nations can look to Native Americans with gas and oil interests for some of the developments regarding gas flaring.

ADMINISTRATIVE IMPLICATIONS

Named agencies will be required to assist in the collection and analysis of data required to conduct the study along with the preparation of any report and the presentation of the results to various entities.

OTHER SUBSTANTIVE ISSUES

The U.S Energy Information Administration provides data on venting and flaring associated with natural gas production (http://www.eia.gov/dnav/ng/ng_sum_lsum_a_EPG0_vgv_mmcf_a.htm) Attachment A is a graph indicates, in millions of cubic feet, the amount of natural gas vented and flared in New Mexico from 1970 to 2013.

A May 22, 2014 news report from National Geographic titled "Oil Drillers' Burning of Natural Gas Costs U.S. Millions in Revenue" discusses this issue, and may be found here: <http://news.nationalgeographic.com/news/energy/2014/05/140522-gas-flaring-costs-taxpayers-in-us-report-says/>

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