

LFC Requester:

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 02/03/2025 *Check all that apply:*
Bill Number: SB 4 Original Correction
 Amendment Substitute

Sponsor: Sen. Stewart & Rep. Ortez **Agency Name** Economic Development
Short Title: Clear Horizons & Greenhouse Gas Emissions **and Code** Department
Person Writing R. Black **Number:** 419
Phone: (505) 827-0300 **Email** Rob.black@edd.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	3,000.0	Nonrecurring	General Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

FISCAL IMPLICATIONS

SIGNIFICANT ISSUES

Reducing the impact of greenhouse gas emissions is a priority for the State and essential to mitigating the growing impact of climate change. Policies that promote low carbon fuels and electricity can also be economic drivers for those businesses or industries that are trying to reduce their own carbon footprint or for manufactures of solar panels, wind turbines or electric batteries.

In 2019 Governor Lujan-Grisham issued Executive Order 2019-003 (EO), Addressing Climate Change and Energy Waste Prevention. The order states that “New Mexico’s objective is to achieve a statewide reduction in greenhouse gas emissions of at least 45% by 2030 as compared to 2005 levels.” The EO further lays out the formation of a Climate Change Task Force to establish a strategy and tactics to achieve those goals.

Since the EO, the administration has accomplished a variety of new policies and programs to promote a transition to a lower carbon economy. Some of those initiatives include the Energy Transition Act (ETA) setting aggressive renewable portfolio standards for electric generation, Clean Transportation Fuel Standard, Clean Car and Charger Tax Credit, adoption of the Advanced Clean Car emissions standard and adoption of the Ozone Precursor Rule for Oil and Natural Gas – creating the most aggressive regulatory regime for methane emissions for the oil and gas sector in the world.

The actions listed above have used a variety of market based and regulatory approaches to achieve carbon reductions towards the Governor’s EO goal.

SB 4 builds on the Governor’s Executive Order, codifies it into law and greatly expands on the order extending it to require a seventy-five percent reduction by 2040 and a one hundred percent reduction by 2050. SB 4 differs significantly from the Governor’s EO in another way in that it does not allow market-based mechanisms or Carbon Capture Utilization and Sequestration (CCUS) for the seventy-five percent emissions reductions required by 2040. SB 4 states that all emissions through 2040 be “solely through direct greenhouse gas emissions reductions”. This language appears to exclude the use of CCUS technologies, carbon markets, carbon offsets or the use of Virtual Power Plants to account for any reductions through 2040. Market mechanisms and CCUS appear to be allowed between 2040 and 2050 to meet the final twenty-five percent to get to zero emissions.

Another difference between SB 4 and the EO is that SB 4 adds a significant monitoring and

reporting requirement for businesses which will add associated costs of compliance.

The impact of this type of requirement can be illustrated by using agriculture as an example. It is hard to imagine how the ranching and dairy industry will be compliant with the bill's requirements limiting direct emissions other than by reducing the number of head proportionate to the escalating emissions requirement.

Allowing for market-based approaches to reduce net emissions similar to the Governor's EO would provide a path to compliance for industries like agriculture where emissions are very hard or very expensive to reduce.

SB4 will have a direct impact on reducing emissions related to oil and gas industry as well as the broader economy in New Mexico but it will make achieving the state's goal of diversifying away from our dependence on extractive industries more difficult. The scale and scope of the required reductions goes well beyond the Governor's EO, which the state is on a pathway to achieve.

NMEDD is concerned that the bill's mandates will cause businesses to dismiss New Mexico as a viable place to base future operations making it difficult if not impossible to estimate the full impact on New Mexico's ability to recruit and retain businesses as the regulatory burdens increase along with the associated costs of compliance.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Unless enacted into statute the Governor's 2019 EO could be overturned in a subsequent administration, reducing the momentum and investments in emissions reductions in the state. Without the bill, the overall emissions reductions in New Mexico would not be as high as they would be without the bill.

AMENDMENTS

The embrace and utilization of market-based mechanisms that provide incentives for emissions reductions instead of regulatory burdens would make compliance easier and less expensive for businesses. Also a focus on net emissions instead of direct emissions would allow for technologies like CCS, CCUS or other forms of capture and sequestration to flourish in New Mexico, driving a new clean industry sector.