

LFC Requester: _____

AGENCY BILL ANALYSIS

SECTION I: GENERAL INFORMATION

Check all that apply:
Original X **Amendment** _____
Correction _____ **Substitute** _____

Date 1/26/26
Bill No: HB 62

Sponsor: Patricia Roybal Caballero
Short Rename & Create Geothermal
 Tax Credits

Agency Name and Code EMNRD 521
Number: _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY27	FY28		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY27	FY28	FY29		
(\$55,000)	(\$55,000)	(\$55,000)	Recurring	

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY27	FY28	FY29	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$200	\$200	\$100	\$500	Recurring	General Fund

(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

HB 62 amends Section 7-2-18.38 NMSA 1978 to expand New Mexico's geothermal tax credit program. The bill transforms the existing geothermal electricity generation credit into a broader geothermal energy production tax credit covering both electricity and usable thermal energy from qualifying geothermal resources. Key provisions in the bill include:

- Establishes graduated, per-kilowatt-hour production-based tax credit schedule
- Extends eligibility to ten taxable years per facility (program runs through 2036)
- Increases annual statewide cap for geothermal tax credits from \$5 million to \$55 million
- Reserves \$11 million of that cap annually for tribal governments and small businesses
- Maintains credit transferability while keeping credits non-refundable

Expands EMNRD's role to:

- Track production increases for existing geothermal facilities
- Certify the thermal facilities (EMNRD currently only certifies electrical facilities), including evaluate measurement and verification of both electric and thermal output
- Manage first-come, first-served queues for certifying eligible entities
- Provide electronic certification data to TRD at agreed intervals

FISCAL IMPLICATIONS

HB 62 provides no additional funding to EMNRD to administer the tax credit. While a lean Geothermal Office has been established within ECAM using limited funding from the geothermal grant fund, a quarter- and then a half-time additional FTE will be required to manage the increase in annual tax credit cap, the extended credit period (2026-2036), complex verification requirements for thermal energy metering, and first-come, first-served queue management with set-asides.

Additional FTE will be required for ECAM to manage the substantial increase in allowable tax credit expenditure and increased scope of the credit via the thermal heat provision. The personnel expenditure is frontloaded in the first two years to support division procurement of outside contractors to stand up the credit and establish thermal heat technical standards. Once this initial administrative hurdle is overcome, the program should require .5 to 1 FTE for ongoing operation.

SIGNIFICANT ISSUES

EMNRD is strongly supportive of expanding geothermal development in New Mexico and aims to ensure that state incentives are structured to maximize the industry's long-term success. However, given the current state of the geothermal industry, EMNRD recommends structuring this incentive as an investment tax credit (ITC) rather than a production tax credit (PTC). Unlike the early-stage solar industry of the 2000s, whose federal PTC model this bill appears to emulate, geothermal development faces fundamentally different cost profiles, timelines, and technical risks, with the majority of capital concentrated upfront in exploration, drilling, and resource confirmation rather than in ongoing production. A PTC ties benefits to long-term output that may take years to materialize and is highly sensitive to subsurface performance, whereas an ITC would better support early-stage project viability, reduce financing barriers, and align with how geothermal

projects are structured and financed today. The inadequacy of a PTC for this purposes is reinforced by the fact that EMNRD has never received an application for the existing PTC.

In addition, the bill removes existing annual reporting requirements, eliminating oversight for multi-year credits tied to production output. Without annual verification, EMNRD cannot confirm that facilities are producing energy levels that justify continued eligibility. EMNRD recommends restoring annual production reporting, establishing minimum production thresholds tied to certified nameplate capacity, and authorizing adjustment or revocation of certifications for non-compliance.

Overlapping provisions create confusion about unused cap rollover and application queuing, resulting in a de facto system of rolling funds that may be difficult to administer with ten-year credit periods. Additionally, the first-come, first-served approach may favor larger developers over tribal governments and small businesses even despite set-asides. EMNRD recommends clarifying rollover procedures, considering periodic application windows or batch review, and providing extended application timelines for reserved applicants.

PERFORMANCE IMPLICATIONS

ECAM currently has two staff assigned to promulgating and enforcing the geothermal rules, as well as conducting ongoing regulation of the industry, and administering a grant and loan fund. This bill will strain the capacity of this small bureau in both the short and medium terms as hiring and rule promulgation would need to begin immediately on signature of HB 62 in to law.

ADMINISTRATIVE IMPLICATIONS

The inclusion of thermal “heat” as an eligible commodity introduces significant administrative challenges because no technical standards currently exist for metering, verifying, or collecting data on thermal energy production, which is measured using fundamentally different parameters than electrical generation. The bill should include explicit rulemaking authority for EMNRD to establish thermal-energy measurement protocols, define acceptable metering equipment and methodologies, and set documentation requirements for flow and temperature-differential measurements. As New Mexico would be an early mover in regulating thermal-energy production for tax-credit purposes, this work carries additional risk and may extend the timeline needed to develop and implement a defensible rule.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Without HB 62, New Mexico maintains its current \$5 million tax credit, for geothermal electricity only.

AMENDMENTS