LFC Requester:	

AGENCY BILL ANALYSIS

SECTION I: GENERAL INFORMATION

Check all that apply:

Original X **Amendment** ___
Correction ___ **Substitute** ___

Date 1/24/26
Bill No: HB 113

Sponsor: John Block
Short Title: Renewable Energy Production Tax Act

Agency Name and Code Number: EMNRD 521

Person Writing Analysis: Ben Bajema
Phone: 505-394-2581 **E** Benjamin.bajema@emnrd.nm.gov

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		

(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						

(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:

HB 113 would impose an excise tax of 3.75% per megawatt hour on large-scale renewable energy production (<500 kWh / 24 hrs.) in New Mexico starting on January 1, 2027. This would apply to electricity made from solar, wind, geothermal, hydropower, and biomass. The taxable value of the electricity would be determined by the price on the wholesale market during the month the power is produced.

FISCAL IMPLICATIONS

There are no direct fiscal implications to EMNRD. However, wholesale electricity prices are highly volatile and sensitive to external events in global commodity markets, compounded with the recent rise of highly variable data center demand, making the precise fiscal impact of a renewable energy excise tax difficult to ascertain.

SIGNIFICANT ISSUES

A tax on electricity produced by renewables would increase retail electricity prices for New Mexican ratepayers as 52% of IOU produced/delivered electricity comes from renewable assets. Electricity prices are already increasing across the county (Bipartisan Policy Center Analysis) and are forecasted to rise in New Mexico as well (Energy Innovation Analysis). New Mexican rate payers will likely see increases to electricity prices as our utilities and co-ops face higher costs from load growth, wildfire damage, loss of IIJA funding, operations under more extreme weather conditions, data center demand and more.

For example, an excise tax of 3.75% levied on large-scale renewable energy generation in New Mexico would have added an additional cost of roughly $3 per megawatt-hour generated during peak months in 2024. Such a tax would artificially raise the costs of utility-scale solar production and onshore wind production, currently the most cost-effective sources of electricity generation (Fig. 4), likely resulting in higher electricity prices for end-users – New Mexican residents and businesses. Such price distortion could also impact decision making at utilities, as they choose "least cost" resources to dispatch, resulting in imprudent investments by the utilities, and inflated rates for electricity consumers in the state.

Roughly a quarter of households[1] in New Mexico are classified by the Department of Energy as "highly energy burdened," meaning their energy costs are greater than or equal to 6% of their income. An excise tax on the cheapest sources of electricity would further strain the ability of many New Mexicans to meet their monthly expenses, particularly those least able to afford it. Moreover, increasing the cost of service to industrial and commercial customers in the state could hinder statewide economic development efforts to attract electricity-intensive businesses in manufacturing, artificial intelligence, and transportation

[1] The U.S. Census Bureau's 2022 American Community Survey estimates 196,612 households in New Mexico have an energy burden at or above 6%.

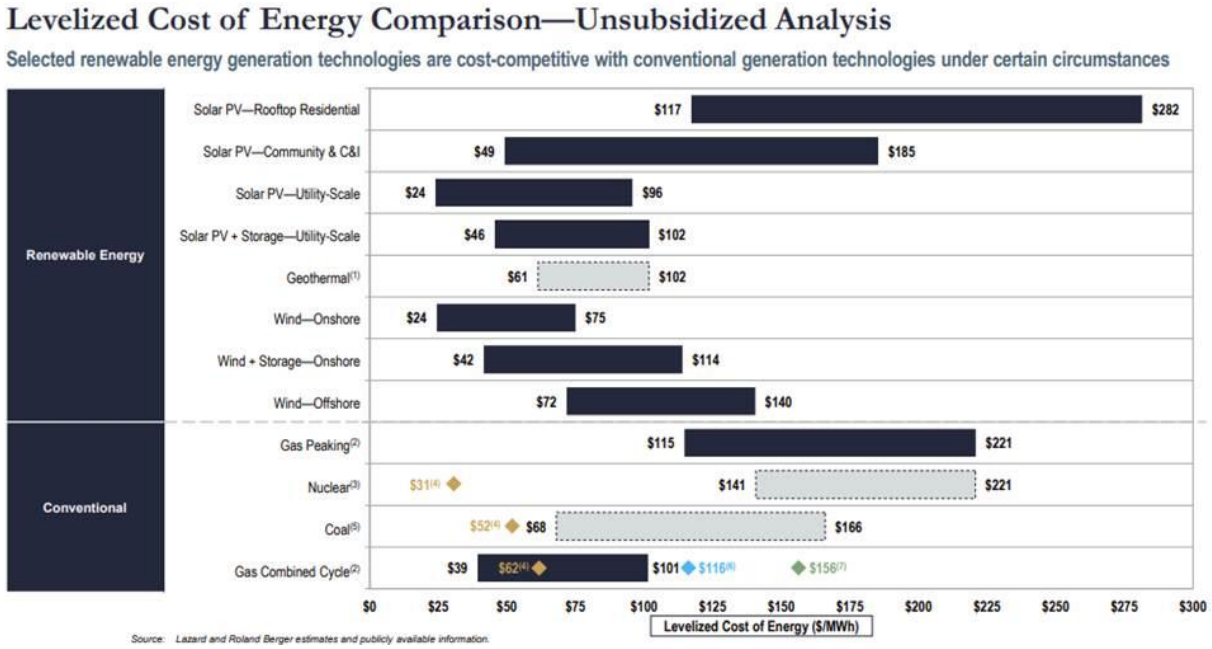

Fig. 4

PERFORMANCE IMPLICATIONS
None for directly for EMNRD

ADMINISTRATIVE IMPLICATIONS
None for directly for EMNRD

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Furthermore, HB 113 would work directly against current state tax credits for geothermal electricity generation, renewable electricity production, and agricultural biomass transportation for electricity generation purposes.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES
Electricity made using renewable sources has not been charged a severance tax because it is not a "natural resource," which is defined in the current Severance Tax Act as "timber and any metalliferous or nonmetalliferous mineral product, combination or compound thereof but does not include oil, natural gas, liquid hydrocarbon, individually or any combination thereof, or carbon dioxide." Additionally, a severance tax implies that there is a permanent severance of the natural resource from the state, which does not occur during the production of electricity from wind or

solar, which are renewable. This tax could artificially raise energy prices, impacting rate payers directly, and possibly decreasing renewable generation and suppressing economic growth, all of which would counter the benefits of any increased revenue to the Severance Tax Permanent Fund.

Moreover, the HB 113 does not specify trading hubs in which the price per megawatt hour of electricity would be assessed and does not specify which agency – or the PRC – would be tasked with determining which market.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Electricity made using renewable resources will continue to be an important part of a grid that helps meet the requirements of the Energy Transition Act and delivers affordable and reliable electricity to New Mexicans.

AMENDMENTS