

LFC Requester:	Davidson
-----------------------	-----------------

AGENCY BILL ANALYSIS - 2026 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: January 31, 2026 *Check all that apply:*
Bill Number: HB227 Original Correction
 Amendment Substitute

Sponsor: Pettigrew **Agency Name and Code** NMED-667
Short Gut Clean Transportation Fuel Standard Program **Number:** _____
Person Writing Michelle Miano **Email** michelle.miano@env.nm.gov
Phone: 505-479-2596 :

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
(Indeterminate but Substantial loss)	(Indeterminate but substantial loss)	(Indeterminate but substantial loss)	Recurring	OSF

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	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:

HB227 repeals the inclusion of the Clean Transportation Fuel Program (CTFP) in the Environmental Improvement Act, which became law when the New Mexico Legislature approved, and the Governor signed, HB41 in 2024. HB41 authorized the CTFP, which creates a New Mexico fuel credit market system, based on grams of carbon dioxide equivalent per megajoule, in which high-carbon fuel (like diesel and gasoline) producers and importers offset the carbon footprint of their fuel by supplying low-carbon fuels to the transportation fuel market or by buying CTFP credits from other low carbon fuel producers or importers.

By passing HB227, the EIB would no longer be required to promulgate rules to implement CTFP no later than July 1, 2026, and EIB’s approval of the rules on April 1, 2026, would be prohibited from implementation.

FISCAL IMPLICATIONS

To build the CTFP and the expertise needed for rulemaking and implementation, NMED has hired and is in the process of hiring 7 FTE. If HB227 is approved, these staff would no longer be needed for the CTFP. Similarly, NMED has used approximately \$4 million of funding appropriated by the New Mexico Legislature to NMED to prepare the CTFP rule and the expert reports for the rulemaking before the EIB. If HB227 is approved, the funding NMED expended to date will have been for naught.

As NMED anticipates raising revenue from future program fees to operate the CTFP, such future revenue to operate the CTFP under HB227 would no longer be collected. HB227 would negatively impact the ability of utility companies to participate in new infrastructure projects. Pursuant to the most recent rulemaking, by 2030, the CTFP is projected to reduce PM2.5 by 144 tons, VOCs by 200 tons, and NOx emissions by 169 tons; and the CTFP will move New Mexico closer to meeting the state’s goal of cutting climate pollution 45% by 2030 and achieving net-zero emissions by 2050. Overall, the CTFP is expected to deliver \$1.65 billion in net benefits to New Mexicans through avoided air quality health impacts and climate change infrastructure damages. Cumulatively through 2040, the program is expected to prevent 337 asthma cases, 60 work-loss days, 59 school-loss days, and 353 restricted activity days for children.

SIGNIFICANT ISSUES

HB227 reverses course on a bill the New Mexico Legislature passed last year and would cause current rulemaking efforts funded by the New Mexico Legislature through previous appropriation to come to an immediate halt.

PERFORMANCE IMPLICATIONS

None identified.

ADMINISTRATIVE IMPLICATIONS

None identified.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The repeal of Section 74-1-18 NMSA 1978 proposed in HB227 is also included in HB225. HB225, however, also repeals the New Motor Vehicle Emission Standards.

TECHNICAL ISSUES

None identified.

OTHER SUBSTANTIVE ISSUES

None identified.

ALTERNATIVES

None identified.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

NMED will proceed with the rulemaking to include Clean Transportation Fuels Program in the Environmental Improvement Act as required under HB 41 by the legislature in 2024.

AMENDMENTS

None identified.