

LFC Requester:

Austin Davidson

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

SECTION I: GENERAL INFORMATION

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

Date Prepared: 02/06/2026

Check all that apply:

Bill Number: HB 320

Original Correction
Amendment Substitute

Sponsor: Reps. Meredith Dixon and
Kristina Ortez

Agency Name and Code Number: 305 – New Mexico
Department of Justice

Short Title: Industrial Carbon Reduction
Act

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(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

This analysis is neither a formal Opinion nor an Advisory Letter issued by the New Mexico Department of Justice. This is a staff analysis in response to a committee or legislator’s request. The analysis does not represent any official policy or legal position of the NM Department of Justice.

BILL SUMMARY

Synopsis: House Bill 320 (“HB 320”) seeks to enact the Industrial Carbon Reduction Act, which would establish two major programs under the Economic Development Department (“EDD”): a Carbon Reduction Production Incentive Program (the “Incentive Program”) and a Carbon Reduction Investment Grant Program (the “Grant Program”). These programs aim to encourage industries to adopt cleaner production methods and to invest in low-carbon technologies.

Section 1 provides the short title, “Industrial Carbon Reduction Act.”

Section 2 provides definitions.

Section 3 of the bill creates the Incentive Program that will be administered by the EDD. Under the Incentive Program, companies that propose to manufacture eligible products (such as cement, steel, glass, hydrogen, and other industrial materials) prior to January 1, 2037, may be eligible to receive financial incentives if they reduce the carbon intensity of their production by at least 40% below the industry benchmark. The incentive is set at \$85 per ton of carbon dioxide reduced, and only new, incremental reductions qualify. The New Mexico Environment Department (“NMED”) will calculate carbon intensity reductions and update industry benchmarks every five years. Applications for these incentives will be competitive, with priority given to projects that are technically feasible, environmentally beneficial, and economically impactful for New Mexico. The EDD, in consultation with the NMED, shall promulgate rules related to the application and selection process. In awarding certifications of eligibility, the EDD, in consultation with the NMED, shall prioritize applications that:

- (1) represent projects with the highest likelihood of success, including consideration of technical feasibility and relevant financial details pertaining to the eligible entity;
- (2) are likely to minimize other environmental pollution, including air and water pollution; and
- (3) support favorable economic growth in New Mexico, including growth of high-quality employment opportunities for New Mexico residents.

Section 4 of the bill directs the NMED to promulgate rules within twelve months of the effective date of the Act for determining the carbon intensity of eligible products. The NMED is also responsible for calculating benchmarks for all eligible products within two years of the effective date of the Act.

Section 5 of the bill restates the EDD’s obligation to promulgate rules within twelve months of the effective date of the Act.

Section 6 of the bill creates the Grant Program that will be administered by the EDD. The Grant Program provides grants to offset capital costs for new or renovated industrial facilities that achieve significant carbon reductions. Grants cover 10% of qualified expenditures made by an eligible entity prior to January 1, 2037, up to \$5 million per project, and include claw back provisions if the recipient fails to meet projected outcomes. Similar to the Incentive Program, the EDD shall promulgate rules for a competitive application and grant award process. In granting awards, evaluation shall prioritize awarding applications that demonstrate the following qualities:

- (1) are estimated to achieve the greatest carbon intensity reduction, as confirmed by the NMED;
- (2) represent projects with the highest likelihood of success, including consideration of technical feasibility and relevant financial details pertaining to the eligible entity;
- (3) are likely to minimize other environmental pollution, including air and water pollution; and
- (4) support favorable economic growth in the state, including growth of high-quality employment opportunities for New Mexico residents.

Section 7 of the bill prohibits entities from claiming both the state incentive and the federal 45Q carbon sequestration tax credit for the same equipment or activity in the same year.

Section 8 of the bill creates the Carbon Reduction Production and Investment Fund, which is a nonreverting fund to finance incentives and grants through 2036, with all money reverting to the general fund by 2046. The bill contains an initial appropriation to the fund of \$50 million (contained in Section 10).

Section 9 of the bill requires the NMED to prepare an annual report to the legislature about the implementation of the Industrial Carbon Reduction Act. The report requires the NMED to report on the following information:

- (1) the number and types of applications received for each program;
- (2) the number and total dollar value of certifications of eligibility issued;
- (3) total carbon intensity reductions achieved by each program;
- (4) economic impacts, including jobs created or retained, by type and salary range;
- (5) analysis of program effectiveness and recommendations for improvements; and
- (6) any other data or other information deemed relevant by the EDD and the NMED.

Section 10 of the bill transfers \$50 million “from the general fund to the carbon reduction production and investment fund.”

Section 11 of the bill marks the effective date of HB 320 as July 1, 2026.

FISCAL IMPLICATIONS

None.

SIGNIFICANT ISSUES

None.

PERFORMANCE IMPLICATIONS

None noted.

ADMINISTRATIVE IMPLICATIONS

None noted.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None noted.

TECHNICAL ISSUES

None noted.

OTHER SUBSTANTIVE ISSUES

None noted.

ALTERNATIVES

None noted.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo.

AMENDMENTS

None noted.