

LFC Requester:	
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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: 2/6/2026 *Check all that apply:*
Bill Number: House Bill 320 Original Correction
 Amendment Substitute

Sponsor:	<u>Meredith A. Dixon, Kristina Ortez</u>	Agency Name and Code Number:	<u>Economic Development Department 419</u>
Short Title:	<u>Industrial Carbon Reduction Act</u>	Person Writing	<u>Nora Meyers Sackett</u>
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
	\$50,000.0	Nonrecurring	General Fund

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

BILL SUMMARY

Synopsis:

House Bill 320 enacts the Industrial Carbon Reduction Act and creates two incentive programs administered by the Economic Development Department (EDD) to reduce the carbon intensity of industrial production in New Mexico.

The carbon reduction production incentive pays \$85 per metric ton of carbon dioxide reduced below an industry benchmark for eligible industrial facilities that achieve emissions intensity at least 40 percent below the benchmark, as determined by the Department of Environment. Incentives are paid annually for verified, incremental emissions reductions.

In addition, a carbon reduction investment grant program contained in the Bill provides grants equal to 10 percent of qualified capital expenditures, capped at \$5 million per facility, to support new or upgraded industrial facilities that enable qualifying emissions reductions.

A non-reverting fund capitalized with a \$50 million transfer from the general fund supports incentive and grant payments, with joint rulemaking and reporting requirements for EDD and the Department of Environment.

FISCAL IMPLICATIONS

The Bill transfers \$50 million from the general fund to support production incentives and investment grants through 2036. Expenditures are limited by available fund balances and subject to legislative appropriation.

Payments under the production incentive are tied to verified emissions reductions below an industry benchmark, limiting fiscal exposure to projects achieving substantial performance improvements. Program costs will depend on participation levels, production volumes, and achieved emissions reductions.

SIGNIFICANT ISSUES

House Bill 320 incentivizes the reduction of industrial emissions, supporting clean industrial manufacturing and creating the opportunity for targeted job creation and economic growth. The incentive programs created in the Bill can be used to attract industrial manufacturing that seeks to mitigate their emissions intensity, establishing an additional mechanism in the State's economic development toolbox that supports economic growth while reducing emissions and furthering the State's climate goals.

The Bill addresses greenhouse gas emissions as an economic externality that imposes long-term costs not reflected in market prices, including impacts to public health, infrastructure, and economic productivity. Industrial sectors are a significant source of emissions and are characterized by long-lived capital assets and global competition, which can slow the adoption of lower-carbon technologies in the absence of policy signals. The combination of capital grants and production incentives addresses both upfront investment risk and ongoing operating costs, which

may encourage earlier adoption of cleaner industrial processes.

The Bill uses performance-based incentives to encourage reductions in emissions intensity. The \$85 per-ton production incentive applies only after facilities achieve emissions intensity at least 40 percent below an industry benchmark, limiting payments to new, incremental reductions and prioritizing substantial changes in production processes.

Industrial production is often trade-exposed, and policies that increase production costs without comparable measures in other jurisdictions can shift activity across borders without reducing overall emissions. Such leakage can undermine environmental goals while eroding local employment and investment. By rewarding verified reductions in emissions intensity rather than penalizing production, the Bill is structured to reduce emissions while keeping industrial activity and associated economic benefits in New Mexico, including job creation and overall positive economic impact.

PERFORMANCE IMPLICATIONS

Implementation will require coordination between the EDD and the Department of Environment (NMED) to establish benchmarks, review applications, and report program outcomes. Required reporting on emissions reductions and economic impacts provides a basis for evaluating program performance over time.

ADMINISTRATIVE IMPLICATIONS

EDD will be responsible for rulemaking, administering application and award processes for the incentive and grant programs, and coordinating reporting requirements. NMED will be responsible for developing and updating carbon intensity methodologies and industry benchmarks and for verifying reported emissions reductions. These responsibilities will increase administrative workload and may require reallocation of existing staff resources. The Bill does not include a specific appropriation for administrative costs.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS