

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$1,900	1,961	\$3,861	Recurring	CRPIF

(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 (HB320) enacts the Industrial Carbon Reduction Act that creates a carbon reduction production incentive program (Section 3), and a carbon reduction investment grant program (Section 6) in the Economic Development Department (EDD) and establishes a Carbon Reduction Production and Investment Fund (Section 8). The program provides incentives to New Mexico industries that meet or exceed the eligibility threshold as provided in Section 3. Only new, incremental carbon reductions are eligible for incentives; provided that the reductions are below the industry benchmark; and provided further that the facility meets the eligibility threshold.

HB320 directs EDD to promulgate rules in consultation with the Environment Department (ED) for competitive application processes for the award of certifications of eligibility for the incentive program, and criteria for eligibility for the grant program and respective processes, procedures, and application periods. HB320 requires that the first application period be held within eighteen months of the effective date of this act, that is, no later than January 1, 2028. EDD in consultation with ED shall select applications to be awarded certifications of eligibility in accordance with criteria set forth in HB320. HB320 also directs ED to promulgate rules within 12 months for determining carbon intensity of eligible products (Section 4).

HB320 directs ED to calculate the net ton carbon intensity reduction available for the incentive and calculate the value of the incentive, which shall be paid at the end of the calendar year. ED shall reset the industry benchmark every five years. EDD shall publish program matrices regularly on their website. EDD and ED are also required to prepare and submit annual report as detailed in Section 9.

HB320 requires that on July 1, 2026, fifty million dollars (\$50,000,000) is transferred from the general fund to establish the Carbon Reduction Production and Investment Fund (CRPIF). Money in the fund shall revert to the general fund at the end of fiscal year 2046.

The effective date of the provisions of this act is July 1, 2026.

FISCAL IMPLICATIONS

The first 18 months will require significant staff and contract resources for both EDD and ED to promulgate the prescribed regulation and establish program policies and processes to begin receiving applications, issuing certificates of eligibility and grant awards.

For FY27 Environment Department will need \$1.9 million for 1) 3 FTE program staff, 0.5 FTE legal staff, and 2 FTE ASD support (IT, HR, Financial, procurement, etc.) for \$836 thousand in the 200s; 2) \$1 million for consultant rulemaking support and program development in the 300s; and 3) \$100 thousand for other program costs, including equipment, travel, notice, public and Tribal engagement, etc. in the 400s.

For FY28 Environment Department will continue to need \$1.961 million for 1) 3 FTE program staff, 0.5 FTE legal staff, and 2 FTE ASD support (IT, HR, Financial, procurement, etc.) for \$836 thousand in the 200s; 2) \$1 million for consultant rulemaking support and program development in the 300s; and 3) \$100 thousand for other program costs, including equipment, travel, notice, public and Tribal engagement, etc. in the 400s. FY28 assumes a 3% increase in salaries.

SIGNIFICANT ISSUES

HB320 does not appropriate, allow for, or identify funds for administering the program.

PERFORMANCE IMPLICATIONS

None

ADMINISTRATIVE IMPLICATIONS

None

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB153-S contains a provision for environmental product declaration that could be applied to the products seeking grants under HB320.

TECHNICAL ISSUES

Section 2, Line 1 on page 2, the definition of carbon intensity needs to include “equivalent” after carbon dioxide or NMED proposes this definition for "carbon intensity means the life-cycle greenhouse gas emissions associated with the production of an eligible product, including direct scope 1 emissions and indirect scope 2 emissions, expressed in grams of carbon dioxide equivalent per unit of product output.”

Section 4, Paragraph A line 22 has a typographical error, and is not clear “shall promulgate rules within twelve months of the effective date of *that act and methodologies* for determining carbon intensity of eligible products...”

Section 3, p.7, line 4, fix the potential typo - “Certifications of eligibility shall not extend beyond December 31, 2026.” 2026 does not seem feasible or consistent with intent of the bill. Consider 2036 or 2046.

OTHER SUBSTANTIVE ISSUES

None

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

This bill will provide incentives to and encourage New Mexico industries use or produce low carbon products or and provide grant program to offset capital investments in qualified facilities located in New Mexico.

Without this bill, New Mexico will not be able to attract and encourage businesses that value lower to no environmental impact manufacturing and distribution of products.

AMENDMENTS

N/A