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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Szczepanski</u>	<b>LAST UPDATED</b> <u>2/8/2024</u> <b>ORIGINAL DATE</b> <u>2/7/2024</u>
<b>SHORT TITLE</b> <u>Methane Emission Task Force</u>	<b>BILL NUMBER</b> <u>House Memorial 42/aHENRC</u>
<b>ANALYST</b> <u>Gaussoin</u>	

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\*

(dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 32.

### Sources of Information

LFC Files

#### Agency Analysis Received From

Energy, Minerals and Natural Resources Department (EMNRD)  
 Public Regulation Commission (PRC)  
 State Land Office (SLO)

#### Agency Analysis was Solicited but Not Received From

Environment Department (NMED)  
 Department of Health (DOH)  
 Economic Development Department (EDD)

## SUMMARY

### Synopsis of HENRC Amendment to House Memorial 42

The House Energy, Environment and Natural Resources Committee amendment to House Memorial 42 changes the date for the work group to begin working from April 1 to August 1 and removes the condition the working group meet at least five times. The amendment also adds a request the meetings be held in compliance with the Open Meetings Act.

### Synopsis of Original House Memorial 42

House Memorial 42 requests the Environment Department to convene a working group of state experts and stakeholders to draft rules and legislative proposals to reduce methane emissions

related to the production, transportation, and marketing of natural gas purchased by regulated utilities. The rules should encourage utilities to buy fuels associated with the lowest methane emissions.

The memorial asks the working group to start meeting by April 1, meet no fewer than five times before October 1, and present proposals to appropriate interim legislative committees by November 1.

The memorial further asks that copies of the memorial be sent to the governor, secretaries of the Environment, Economic Development, and Energy, Minerals and Natural Resources departments, and chief of staff of the Public Regulation Commission.

## **FISCAL IMPLICATIONS**

Memorials do not contain appropriations and do not carry the weight of law. However, assembling a work group and producing a report for legislative committees would require NMED staff time and other agency resources. NMED could absorb the additional needs within existing resources.

## **SIGNIFICANT ISSUES**

The American Lung Association reports methane is the second most abundant greenhouse gas, after carbon dioxide, and traps 80 times more heat than carbon dioxide. Citing the U.N. Environment Programme, the association says methane accounts for 30 percent of climate change since the Industrial Revolution.

The association notes oil and natural gas production is one of the main sources of methane gas pollution, and as much as 13 million metric tons leak into the atmosphere nationwide during extraction and transportation, enough to fuel 10 million homes for a year. The State Land Office (SLO) says it is generally supportive of efforts to reduce methane waste because the waste “means lost dollars to the SLO and the school kids, hospitals, and other beneficiaries it supports.”

The Energy, Minerals and Natural Resources Department (EMNRD) says methane emission related to utility purchases is an important area of study because “gas distribution systems contribute to both human health concerns and global anthropogenic climate change.”

The Public Regulation Commission (PRC), which oversees electric and natural gas utilities, notes 155 countries, including the United States, have pledged to reduce methane emissions across all sectors by at least 30 percent of 2020 levels by 2030. New Mexico could potentially reduce emissions by incentivizing reductions related to utility purchases of oil and natural gas and upstream production, transportation, and marketing of oil and gas for sale to New Mexico utilities.

## **ADMINISTRATIVE IMPLICATIONS**

NMED would have additional administrative responsibilities for a work group.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

House Memorial 42 relates to House Bill 32, which restricts the location of oil and gas production facilities near schools and authorizes the Oil Conservation Division of EMNRD to regulate emission detection systems.

## **OTHER SUBSTANTIVE ISSUES**

The State Land Office, which is not named in the memorial, suggests it be included among the state agencies to receive copies of the memorial because a significant portion of oil and gas production in New Mexico occurs on state trust lands. It reports it has contributed to methane reduction efforts in New Mexico in a number of ways, including during Oil Conservation Committee rulemaking on methane waste in 2020 and 2021, both as a direct participant in the rulemaking and via the SLO seat on the committee.

EMNRD suggests the memorial explicitly include the Pipeline Safety Bureau of the Public Regulation Commission, as well as EMNRD as a whole (in its role as the state energy office and as an expert on utilities), among the entities which must participate in the working group.

PRC raises concerns the memorial is not clear as to whether the focus of the working group is on electric utilities using natural gas for power generation or natural gas utilities furnishing natural gas to customers for heating or other purposes, or both.

SLO believes any working group should address the capabilities and standards of the midstream operators operating in the state to help ensure there is sufficient takeaway capacity.

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