

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

BILL NUMBER: House Bill 226

SHORT TITLE: Natural Gas As Renewable Energy

SPONSOR: Pettigrew/Mason/Block

LAST ORIGINAL
UPDATE: _____ **DATE:** 02/13/26 **ANALYST:** Davidson

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
EMNRD	No fiscal impact	No fiscal impact	No fiscal impact	No fiscal impact	Recurring	General Fund
PRC	No fiscal impact	\$55.5	\$58.7	\$114.2	Recurring	General Fund

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

Duplicates House Bill 327 from the 2025 Legislative Session

Sources of Information

LFC Files

Similar Analysis from the 2025 Legislative Session
Public Regulation Commission
Energy, Minerals and Natural Resources Department
New Mexico Attorney General

Agency or Agencies That Were Asked for Analysis but did not Respond
New Mexico Environment Department
Energy, Minerals and Natural Resources Department
New Mexico Attorney General

SUMMARY

Synopsis of House Bill 226

House Bill (HB226) adds the term "natural gas using combined cycle technology" to the list of renewable energy resources in both the Rural Electric Cooperative Act (Section 62-15-37 NMSA 1978) and the Renewable Energy Act (Section 62-16-13 NMSA 1978). The bill also adds the following exclusion to the definition in the Rural Electric Cooperative Act: "does not include electric energy generated by use of fossil fuel or nuclear energy, except for natural gas using combined cycle technology."

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

From analysis from an identical bill introduced during the 2025 legislative session, the Public Regulation Commission (PRC), which will be responsible for rulemaking and implementation, estimates an additional annual cost of \$55.5 thousand in FY26 and \$58.7 thousand in FY27 for staff time if HB226 is enacted.

From analysis from an identical bill in 2025, the Energy, Minerals and Natural Resources Department (EMNRD) does not anticipate a direct fiscal impact.

SIGNIFICANT ISSUES

The proposed definition changes in HB226 may challenge nationally agreed definitions, run counter to the intent of the two acts to be amended, undermine the state's renewable portfolio standards, and could have negative impacts on other state and federal programs.

According to EMNRD:

Defining fossil fuels as a renewable energy resource based on the efficiency of technology runs counter to established definitions and understanding of what a renewable energy resource is: i.e., energy derived from natural sources that are replenished at a higher rate than they are consumed or are replenished on a human rather than geologic timescale. Even highly efficient combined cycle gas turbines consume fossil gas, a resource which is not renewable within a human lifetime, at a greater rate than it is created.

HB226 fails to define "combined cycle technology." Given the lack of definition, EMNRD presumes that:

The proposed language means a combined-cycle gas turbine technology that utilizes both the Brayton cycle of a natural gas fired turbine engine while also utilizing the heat from the exhaust gases in a fired or unfired Rankine cycle waste heat boiler, thus recovering over 60 percent of the input energy to create electricity. This is the common definition of "combined cycle technology" in the power generation industry.

The provisions of HB226 skirt the zero carbon emission provisions in the state's renewable portfolio standards (RPS) and Section 62-15-34 of the Rural Electric Cooperative Act. These standards mandate 100 percent of electricity be generated by zero carbon resources by 2045 and 2050, respectively. The PRC asserts: "By allowing natural gas to be defined as a renewable resource, utilities may meet annual RPS requirements but won't achieve the 2045 zero-carbon target."

Further, HB226's proposed definitions do not align with PRC or federal definitions. New Mexico currently uses the Western Renewable Energy Generation Information System (WREGIS), an independent, renewable energy tracking system for a 14-state region, to track "renewable energy certificates" and demonstrate RPS compliance. The PRC and NMRETA

House Bill 226 - Page 3

concur that allowing a carbon-emitting generating source would impact verification.

The Attorney General (NMAG) states that “a definition encompassing a fossil fuel source may cause conflict with the policy objectives of other participating states, which may manifest as legal challenges.” NMRETA suggests the definition of renewable energy may also generate House Bill 226 – Page 3 conflicts with projects supported under the Renewable Energy Financing District Act (5-18 NMSA 1978).

EMNRD further cautions:

Not all combined cycle technology includes carbon-capture or waste heat boilers, leaving open the possibility that a non-renewable and potentially carbon emitting technology would be enshrined in legislation as a renewable energy resource.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 226 is a duplicate of House Bill 327 from the 2025 Legislative Session.

TECHNICAL ISSUES

House Bill 226 lacks a definition for combined-cycle technology.

AD/cf/ct