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FISCAL IMPACT REPORT

ORIGINAL DATE 2-8-06
 SPONSOR Wirth LAST UPDATED 2-10-06 HB HM29/aHBIC
 SHORT TITLE Hydrogen Energy Liability Insurance SB _____
 ANALYST Woods

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of HBIC Amendment

House Business and Industry Committee amendment to HM29 amends the legislation as follows:

1. On page 3, line 10, after “interests”, insert “to include the hydrogen technology partnership”.

House Business and Industry Committee amendment to HM29 adds no appropriation to the legislation.

Synopsis of Original Bill

House Memorial 29 requests that the New Mexico Hydrogen Business Council convene a special committee to develop and recommend a state-operated hydrogen energy liability insurance program to ease economic barriers to hydrogen businesses in New Mexico.

Specifically the memorial notes that:

- there is an urgent need to move the United States' energy economy away from

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petroleum-based systems and other limited resources of foreign fossil fuels for reasons of national security; and

- continued use of fossil fuels adversely affects the environment in two key ways: increased pollutants and the production of greenhouse gases; and
- the nation's future energy source mix should increasingly rely on clean, sustainable and renewable sources; and
- extracted hydrogen will become an important element of the nation's energy portfolio, because it can be obtained from domestic sources and its use emits only water vapor; and
- federal laboratories in the state of New Mexico have, for nearly thirty years, participated in the evolution of technologies that allow for the use of hydrogen for energy purposes, making the state a technology leader; and
- the governor has proclaimed New Mexico the "Clean Energy State" and desires the state to become a leader in hydrogen energy; and
- the deployment of hydrogen-energy-based systems and businesses has been recognized as an important component of the state's economic development strategy; and
- a major impediment to more rapid implementation of hydrogen-based systems is the absence of liability and property insurance for hydrogen energy installations; and
- the unwillingness of insurers to underwrite hydrogen systems, despite many significant and distinguished studies indicating their safety, exists because very few installations and very little data on their performance exist; and
- should first-tier indemnification be provided to a significant degree, insurers are likely to provide second-tier insurance; and
- the state of New Mexico has the opportunity to take the lead nationally, in remedying this situation by providing liability insurance to qualified hydrogen energy installations, thereby accelerating the introduction of this important energy source;

The memorial resolves that that the 2006 legislative interim, the New Mexico hydrogen business council be requested to convene a committee with appropriate representation from state government and business interests to develop draft legislation for the 2007 legislative session that creates a state-operated liability insurance program for certified hydrogen energy projects.

The memorial further resolves that copies of this memorial be transmitted to the secretary of economic development and the governor.

There is no appropriation attached to this legislation.

SIGNIFICANT ISSUES

EMNRD notes that, “Governor Richardson supports hydrogen technology in New Mexico; however, the unwillingness of insurers to underwrite hydrogen systems, despite many significant and distinguished studies indicating their safety, exists because very few installations and very little data on their performance exists. If the state provides first-tier indemnification, insurers are likely to provide second-tier insurance.”

EMNRD further suggests that if the state provides this indemnification, qualified hydrogen-energy installations (and businesses) would be more likely to locate in New Mexico, thereby accelerating the introduction of this important energy source.

OTHER SUBSTANTIVE ISSUES

EMNRD indicates that the New Mexico Hydrogen Business Council is a member organization made up of private business owners interested in promoting hydrogen energy in New Mexico. The Council would not be obligated to follow through on the request made in this memorial.

BW/mt