FISCAL IMPACT REPORT

SPONSOR Pettigrew/Murphy/Henry/Brown **LAST UPDATED** 02/24/2025 **ORIGINAL DATE** 02/11/2025

SHORT TITLE Certain Natural Gas as Renewable Energy **BILL NUMBER** House Bill 273

ANALYST Gygi

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	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; Conflicts with Senate Bill 45

Sources of Information

LFC Files

Agency Analysis Received From
Attorney General (NMAG)
Energy, Minerals and Natural Resources Department (EMNRD)
New Mexico Renewable Energy Transmission Authority (NMRETA)
Public Regulation Commission (PRC)

SUMMARY

Synopsis of House Bill 273

House Bill (HB273) 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 if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The Public Regulation Commission (PRC), which will be responsible for rulemaking and implementation, estimates an additional annual cost of $55,500 in FY26 and $58,700 in FY27

for staff time if HB273 is enacted.[1]

The Energy, Minerals and Natural Resources Department (EMNRD) does not anticipate a direct fiscal impact.

SIGNIFICANT ISSUES

The proposed definition changes in HB273 defy nationally agreed definitions, run counter to the intent of the two acts to be amended, undermine the state's renewable portfolio standards (RPS), 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.

HB273 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 HB273 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. In its analysis for the identical House Bill 372, 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, HB273'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. PRC and the New Mexico Renewable Energy Transmission Authority (NMRETA) concur that allowing a carbon-emitting generating source would impact verification.

EMNRD further cautions:

> Not all combined cycle technology includes carbon-capture or waste heat boilers, leaving

[1] These estimates were reported in the LFC fiscal impact report for the identical bill HB372. This FIR is being updated to reflect additional information from both the PRC and the New Mexico Renewable Energy Transmission Authority (NMRETA).

> open the possibility that a nonrenewable and potentially carbon emitting technology would be enshrined in legislation as a renewable energy resource.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 273 duplicates House Bill 327 and conflicts with House Bill 45, which creates a Renewable Energy Production Tax Act containing a different definition of "renewable energy."

TECHNICAL ISSUES

HB273 lacks a definition for combined-cycle technology.

ALTERNATIVES

PRC raises the possibility of including gas-fired combustion turbines instead of combined-cycle devices to achieve the state's zero-carbon goal:

> [The bill] focuses on combined cycle natural gas excludes gas-fired combustion turbines, which provide peaking capacity with lower total carbon dioxide emissions due to intermittent use. Expanding the definition to include peaking turbines with operational constraints could enhance grid reliability while keeping New Mexico on track for its 2045 zero-carbon goal. Also, combustion turbines can be retrofitted to run on cleaner fuels like hydrogen, when it becomes economically available.

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