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FISCAL IMPACT REPORT

SPONSOR Pettigrew/Murphy/Henry LAST UPDATED _____
ORIGINAL DATE 02/11/2025
BILL
SHORT TITLE Certain Natural Gas as Renewable Energy 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		General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Conflicts with Senate Bill 45.

Sources of Information

LFC Files

Agency Analysis Received From

New Mexico Attorney General (NMAG)

Energy, Minerals and Natural Resources Department (EMNRD)

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 Energy, Minerals and Natural Resources Department (EMNRD) does not anticipate a direct fiscal impact if HB273 is enacted.

SIGNIFICANT ISSUES

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.

Both EMNRD and the New Mexico Attorney General (NMAG) point out 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.

NMAG points out that the proposed non-standard definitions in HB273 do not follow federal definitions or those approved by New Mexico’s Public Regulation Commission and recognized by the Western Renewable Energy Generation Information System (WREGIS), an independent, renewable energy tracking system for a 14-state region. This lack of alignment could adversely affect public utilities required to register “renewable energy certificates” with WREGIS to demonstrate compliance with the state’s portfolio standards. 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.”

EMNRD and NMAG call attention to the fact that the provisions of HB273 skirt the zero carbon emission provisions in the Renewable Energy Act’s portfolio standards, as well as the Energy Transition Act (ETA) and Section 62-15-34 of the Rural Electric Cooperative Act, which mandate 100 percent of electricity be generated by zero carbon resources by 2045 and 2050, respectively. NMAG concludes that:

Because combined cycle gas turbines are not “zero carbon” resources, the proposed amendments to the definition of renewable energy would not exempt these electricity generating resources from the ETA’s mandates.

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 273 conflicts with House Bill 45, which creates a Renewable Energy Production Tax Act containing a different definition of “renewable energy.”