

LFC Requester: _____

AGENCY BILL ANALYSIS

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:
Original **Amendment** _____
Correction _____ **Substitute** _____

Date 1/22/2025
Bill No: SB 4

Sponsor: Sen. Mimi Stewart
Short Clear Horizons & Greenhouse
Title: Gas Emissions

Agency Name and Code EMNRD 521
Number: _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	3,000	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY5	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: N/A

Duplicates/Relates to Appropriation in the General Appropriation Act: Unknown

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 4 updates the Environmental Improvement Act and Air Quality Control Act to establish statewide greenhouse gas emissions limits and related reporting requirements, require state agencies apply climate equity principles to rule development related to reducing greenhouse gas emissions, and adds additional duties and powers to the Environmental Improvement Board (EIB) and local board. The bill appropriates \$3,000,000 from the General Fund for expenditure in fiscal year 2026 and subsequent fiscal years for the Environment Department (NMED) to administer a greenhouse gas emissions reduction program.

The Environmental Improvement Act updates include:

- **Limits to statewide greenhouse gas emissions:** (1) by 2030, at least forty-five percent less than 2005 levels; (2) by 2040, at least seventy-five percent less than 2005 levels; and (3) by 2050 and in every subsequent year, one hundred percent less than 2005 levels by means developed by the board. Limits set for 2030 and 2040 shall be achieved solely through direct greenhouse gas emissions reductions.
- **Reporting requirements:** In consultation with the Energy, Minerals and Natural Resources Department (EMNRD), the Department of Transportation, the Public Regulation Commission and other appropriate federal, state, local and tribal entities, NMED will publish an annual greenhouse gas inventory and progress report. In consultation with EMNRD, NMED will also publish a greenhouse gas sector report that proposes an allocation of greenhouse gas emissions reductions by sector. The bill also requires a greenhouse gas decade assessment that includes a greenhouse gas inventory and progress report prepared in the year 2031 and every tenth year thereafter.
- **Application of Climate Equity Principles:** State agencies are required to apply climate equity principles to rule development that prioritizes greenhouse gas reductions in overburdened communities; incorporates tribal consultation and outreach to tribal communities in the rulemaking; and considers how to address adverse health and environmental impacts from greenhouse gases and other pollutants.

The Air Quality Control Act updates include:

- **Regulation of Greenhouse Gas Emissions:** The EIB and local board are required to regulate greenhouse gas emissions to meet the statewide greenhouse gas emissions limits established above. This includes adopting or amending rules as necessary that (1) reduce emissions to meet these limits from sectors other than oil and gas exploration and production operations; (2) meet specific requirements to reduce methane emissions intensity for greenhouse gas emissions reductions from the oil and gas industry; (3) do not have a disparate adverse effect on overburdened communities and apply climate equity principles; (4) rely on the greenhouse gas emissions inventory and progress reports published by NMED; (5) may implement an emissions limitation or control measure that results in an enforceable emissions reduction, including those allowed by the federal Clean Air Act; (6) take into consideration other relevant state and federal laws, rules and enforceable requirements that contribute to reductions in greenhouse gas emissions; (5) may take into consideration federal, state or philanthropic investments, grant programs and financial incentives or voluntary actions taken by local governments and private entities that contribute to reductions in greenhouse gas emissions as the EIB or the local board

deems appropriate; 6) may take into consideration differences in industry exposure to interstate or international competition and the relative cost of carbon reduction mechanisms, and (7) may address sectors separately or in combination as long as the requirements are otherwise met. The EIB and local board are also required to reevaluate the effectiveness of the rules adopted to achieve the statewide greenhouse gas emissions limits at least once every five years, based on information provided by NMED.

- **Greenhouse Gas Monitoring Requirements:** The EIB and local board are required to adopt greenhouse gas emissions monitoring requirements that (1) consider data reporting and other requirements already in place; (2) include requirements to monitor, measure, report and verify oil and gas exploration and production operation methane emissions as measured by empirical methods; and (3) shall be utilized by NMED in future greenhouse gas inventory and progress reports.

FISCAL IMPLICATIONS

EMNRD may need to hire additional staff in their Energy Conservation and Management Division (ECAM) to support the development of inventories, progress reports, greenhouse gas emissions sector reports, and greenhouse gas decade assessments. Currently ECAM has 2 FTEs, funded by a federal grant, working on the State Comprehensive Climate Action Plan, who do similar work to that required by this bill. Once that federal funding source expires, those FTEs will need to be supported from other funds.

SIGNIFICANT ISSUES

In 2019, Governor Michelle Lujan Grisham issued Executive Order 2019-003 on Addressing Climate Change and Energy Waste Prevention to “further New Mexico’s responsibility and opportunity to build a clean energy future for our people, limit adverse climate change impacts that harm our natural and cultural heritage, prevent the waste of New Mexico energy resources and reduce pollution that threatens human health.” The emissions targets and directives in the Executive Order have enabled the state to make significant progress towards reducing greenhouse emissions in all sectors and to take actions to protect the health and livelihoods of New Mexicans, but the New Mexico Greenhouse Gas Emissions Inventory and Forecast published by NMED in December 2024 demonstrates that the state will not meet its goals based on current policies and programs. Increases in the frequency and severity of climate change-driven extreme events demonstrate that more ambitious greenhouse emissions reductions goals are necessary, and the emissions limits set by this bill, coupled with the additional duties and powers given to the EIB to monitor and regulate greenhouse gas emissions, would ensure that the state’s climate action progress can continue to protect future generations of New Mexicans regardless of state political leadership.

As co-chair agency of the Climate Change Task Force with NMED, EMNRD recognizes the importance of accurate and relevant data to developing greenhouse gas emissions inventories and developing strategies to reduce emissions across sectors based on gaps identified in inventories and forecasts. EMNRD and NMED are currently developing a State Comprehensive Climate Action Plan, funded by the Environmental Protection Agency’s Climate Pollution Reduction Grant Program, that will include emissions reduction measures to meet New Mexico’s current emissions goals as set out in Executive Order 2019-003. This bill would enable this work to continue beyond

the term of that grant; be more ambitious and specific in its emissions reduction goals by sector; provide more comprehensive and accurate data and be enforceable through the new powers of the EIB to develop rules to meet these new greenhouse gas emissions limits. EMNRD also recognizes the importance of requiring state agencies to apply climate equity principles to rule development. The Climate Change Task Force convened the New Mexico Climate Equity Working Group in 2021 to develop Climate Equity Guiding Principles which will be formally integrated into all climate policy actions by its state agency members.

PERFORMANCE IMPLICATIONS

EMNRD staff within the Energy Conservation and Management Division who currently work on the State Comprehensive Climate Action Plan would be additionally tasked with supporting the development of the new reports required by this bill. Given the breadth of this bill's requirements, either more ECAM FTEs or biannual reporting may be necessary to complete all tasks. Staff across other EMNRD divisions who work on programs to reduce emissions across the electricity, oil and gas, transportation, buildings, and natural and working lands sectors may also be tasked with supporting the development of these reports and the design and implementation of measures to reduce emissions in these sectors.

To make the greenhouse gas emissions reduction program successful and effective, it will be important to coordinate with the Climate Change Task Force, which is currently tasked with many of the duties outlined in the bill, including evaluating proposed climate strategies and policies against the Climate Equity Guiding Principles developed by the Climate Equity Working Group.

ADMINISTRATIVE IMPLICATIONS

None for EMNRD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

None

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

New Mexico will not have greenhouse gas emissions limits enacted in statute nor the authority to regulate greenhouse gas emissions, which could restrict the state's ability to address the increasing and cascading impacts of climate change, air pollution, and extreme weather events on current and future generations of New Mexicans.

AMENDMENTS