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FISCAL IMPACT REPORT

SPONSOR Sedillo Lopez LAST UPDATED _____
ORIGINAL DATE 1/29/25
BILL _____
SHORT TITLE No Fuel Less-Than-Zero Carbon Intensity NUMBER Senate Bill 99
ANALYST Davidson

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMED	No fiscal impact	Up to \$126.9	Up to \$126.9	Up to \$253.8	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Conflicts with Senate Bill 4 and Senate Bill 142

Sources of Information

LFC Files

Agency Analysis Received From

Public Regulation Commission (PRC)

Energy, Minerals and Natural Resources Department (EMNRD)

New Mexico Environment Department (NMED)

Agency Analysis was Solicited but Not Received From

New Mexico Department of Transportation (NMDOT)

SUMMARY

Synopsis of Senate Bill 99

Senate Bill 99 (SB99) adds language to the Clean Transportation Fuel Standard Program stating that transportation fuels cannot “be assigned a carbon intensity value of less than zero.”

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 Environmental Improvement Board will need to promulgate rules’ implementing SB99’s change to Clean Transportation Fuel Program; these rules will then be enforced by the New Mexico Environment Department (NMED). Increasing the regulatory expectation of the department can increase the department’s workload, requiring additional personnel. LFC fiscal analysis estimated an additional FTE could be needed for implementation of SB99 and uses the average cost for an FTE at NMED to estimate additional operating budget impact.

SIGNIFICANT ISSUES

Analysis from the Public Regulation Commission (PRC) notes SB99's could impact projects aiming to prevent significant carbon emissions, such as methane capture. Further, PRC analysis notes the bill could also impact the participation of other alternative transportation fuels like vehicle electrification in the Clean Transportation Fuel Standard Program.

Analysis from the NMED discusses how passage of SB99 would remove flexibility the Clean Transportation Fuel Standard Program currently has when reviewing and approving greenhouse gas emission lifecycle data.

Analysis from the Energy, Minerals and Natural Resources Department (EMNRD) sites clean fuel standards and carbon intensity calculations from federal Department of Energy laboratory study which found fuel can achieve a negative carbon intensity score if its production process removes more potent greenhouse gas emissions from the atmosphere that it emits during combustion.

EMNRD explains:

One example of this occurs when methane emissions —typically from sources like landfills or manure [and are 28 times more potent than carbon dioxide emissions]—are captured, converted into renewable natural gas (RNG), and then used as fuel, preventing methane from being released into the atmosphere, albeit still releasing other greenhouse gases such as carbon dioxide.

EMNRD notes that this could serve to reduce net greenhouse gas emissions in New Mexico.

Negative valuation of RNG can also be considered an effective way to fight the atmospheric warming effect of methane -- by establishing a market incentive for abatement. On a 100-year time scale, methane's warming potential is 28 times that of carbon dioxide. The production of RNG essentially trades highly potent methane emissions from agricultural waste for carbon emissions when the gas is combusted for productive purposes, establishing a net reduction in atmospheric warming potential. Notably, the effectiveness of this conversion can be influenced by external factors (such as the source of the feedstock for cattle and the overall scale of RNG implementation). The heightened incentive to capture methane provided by negative carbon intensity valuation could facilitate greater emissions abatement among the state's methane intensive industries.

EMNRD analysis also notes that opponents of assigning negative carbon intensity to fuels believe the assignment can encourage complacency in the larger effort of emissions reduction and could create delays in the transition to cleaner energy sources.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Analysis from PRC points out that Senate Bill 4, which proposes to establish statewide limits on greenhouse gas emissions, may conflict with SB99's restriction on transportation fuels being assigned carbon intensity values below zero. Due to carbon emissions being a contributor to the state's greenhouse gas emissions, passage of both bills could create conflict.

PRC analysis also notes the definitions used by Senate Bill 142 to define “net-zero carbon resource” conflict with SB99’s prohibition on assigning carbon intensity values below zero to transportation fuels.

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