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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/01/13

SPONSOR Griego LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE No Biodiesel Requirement in Diesel Fuel SB 374

ANALYST McCoy

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
NFI	NFI	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Department of Agriculture (NMDA)

Energy, Minerals and Natural Resources Department (EMNRD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 374 (SB 374) amends the Petroleum Products Standards Act to eliminate the requirement that motor vehicle diesel fuel sold to all public and private consumers contain five percent biodiesel. In addition SB 374 eliminates the requirement for the New Mexico State University Board of Regents to consult with the secretary of the Energy, Minerals and Natural Resources Department and the Director/Secretary of the New Mexico Department of Agriculture (Petroleum Standards Laboratory) to suspend the five percent biodiesel requirement if insufficient amounts of biodiesel are available or the price of biodiesel significantly exceeds the price of diesel fuel.

### FISCAL IMPLICATIONS

No Fiscal Impact.

### SIGNIFICANT ISSUES

The EMNRD notes, by removing the statutory biodiesel fuel mandate, it will be up to the petroleum suppliers to voluntarily supply biodiesel for use by New Mexico consumers.

The NMDA notes the following:

- According to information provided by industry, the majority of terminals in the state are not equipped to blend biodiesel. As a result of the lack of infrastructure, there are currently no terminals blending biodiesel in New Mexico.
- As currently written, the statute would require 1.5 million to 2 million gallons of biodiesel per month. At the present time there is only one active biodiesel producer in New Mexico whose maximum yearly output potential is 1.5 million gallons annually.
- The NMDA does not have the tracking capability to accurately track pricing and availability of diesel and biodiesel blends.
- The NMDA is the regulatory authority for fuel quality in New Mexico and adopts the current American Society for Testing and Materials (ASTM) standards for fuel quality compliance. Five percent biodiesel blends must meet the current edition of ASTM D975. ASTM D975 is the standard specification for diesel fuel oils (inclusive of B0 – B5 percent).

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SB 374 is related to Senate Bill 160, which provides an incentive to diesel rack operators to blend biodiesel for sale in New Mexico by allowing a deduction from the special fuel excise tax for receipt of biodiesel fuel for blending and resale.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If SB 374 is not enacted, the requirement for five percent motor vehicle diesel fuel to be sold in New Mexico for use by consumers would remain in effect.

MTM/blm