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FISCAL IMPACT REPORT

SPONSOR Ingle ORIGINAL DATE 01/25/16
LAST UPDATED _____ HB _____

SHORT TITLE Biodiesel Requirements in Diesel Fuel SB 71

ANALYST Amacher

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Energy Minerals and Natural Resources Department (EMNRD)

New Mexico Department of Agriculture (NMDA)

SUMMARY

Synopsis of Bill

Senate Bill 71 removes the requirement that all motor vehicle diesel fuel sold in New Mexico contain five percent biodiesel. SB 71 also 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 to suspend the five percent requirement if insufficient amounts of biodiesel are available or the price of biodiesel significantly exceeds the price of diesel fuel.

FISCAL IMPLICATIONS

No known fiscal implications.

SIGNIFICANT ISSUES

The NMDA and EMNRD state there are several challenges in implementing the mandate. The combination of insufficient infrastructure, inadequate supply and pricing differentials has resulted in NMDA and EMNRD suspending the mandate every six months since the mandate was established in 2010. There has not been one occurrence of fulfilling the mandate.

NMDA notes the following:

- Infrastructure issues: There are two refineries and six terminals in New Mexico that supply diesel fuel. Of these eight supply points, four have the ability to supply biodiesel on a seasonal basis (during the warm months of the year.) These suppliers do not currently have the infrastructure to handle biodiesel during the winter months. The other four supply points do not have the infrastructure to support biodiesel blending at their facilities. A capital outlay of millions of dollars by facility owners would need to be invested in order to handle and supply biodiesel.
- Terminals and refiners outside of New Mexico that supply diesel fuel to the state have similar infrastructure issues, making the availability of biodiesel vary from supply point to supply point.
- As currently written, the statute would require 1.8 million to 2 million gallons of biodiesel per month to meet the retail market sales for diesel in the state. There is no active production of biodiesel in New Mexico. All production is out of state and is supplied by either truck or rail. In addition, there is no available pipeline.
- The Federal Renewable Fuel Standards (RFS) program is a national policy that requires a certain volume of renewable fuel to replace or reduce the quantity of petroleum-based transportation fuel, heating oil or jet fuel. RFS recently announced an increase of biodiesel usage nationally, which in turn will increase the amount of biodiesel in the marketplace and eventually negate or supersede the current state mandate.

ADMINISTRATIVE IMPLICATIONS

NMDA notes that to meet the mandate and test for the five percent biodiesel for compliance to American Society for Testing and Materials (ASTM) specifications an additional laboratory, personnel and instrumentation is necessary. NMDA estimates the cost for just the instrumentation is an approximate \$400,000. At this time, the cost is unknown for the expansion of the existing petroleum lab to accommodate the instrumentation needed for compliance.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If SB 71 is not enacted, the requirement will remain in effect for all motor vehicle diesel fuel sold in New Mexico contain five percent biodiesel.

JMA/jle/jo