

LFC Requester: _____

AGENCY BILL ANALYSIS

SECTION I: GENERAL INFORMATION

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

Date 2/25/2025
Bill No: HB538

Sponsor: Reps. Dixon, Small, Duncan. Sen. Sharer

Agency Name and Code EMNRD 521
Number:

Short Title: Industrial Decarbonization Production Credits

Person Writing Analysis: Jesse Tremaine
 Jessek.tremaine@emnrd
Phone: _____ **Email** .nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
0	0		

(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)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	0	0	0	0		

(Parenthesis () Indicate Expenditure Decreases)

**Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act:**

SECTION III: NARRATIVE

BILL SUMMARY

HB538 proposes to create two tax credits for a qualifying reduction in carbon equivalent emissions relative to industry benchmarks and for qualifying expenditures for equipment necessary to reduce carbon equivalent emissions relative to industry benchmarks. Both credits may apply to oil refineries or natural gas processing plants as industrial facilities generating a “product through refinement.” HB538 incentivizes potentially substantial reductions in processing losses in the form of natural gas emissions from gas plants and refineries.

FISCAL IMPLICATIONS

HB538 will not have fiscal implications for the Energy, Minerals and Natural Resources Department (EMNRD) Oil Conservation Division (OCD).

SIGNIFICANT ISSUES

HB538 does not present significant issues for the Energy, Minerals and Natural Resources Department (EMNRD) Oil Conservation Division (OCD). OCD does not maintain natural gas waste or emissions data for gas plants and refineries. While related to natural gas waste management, the data required by HB538 will be maintained and/or reviewed by the New Mexico Environment Department.

PERFORMANCE IMPLICATIONS

HB538 may assist in the reduction of waste gas in New Mexico from qualifying facilities, which OCD also regulates at production and midstream facilities. Emissions reductions practices or technologies installed at gas processing plants or oil refineries could potentially limit the transfer of unrefined product to the qualifying facilities. It has been observed that temporary outages or restricted processing at natural gas plants can effectively limit a facility’s acceptance of unrefined product, which can push venting or flaring decisions out to midstream or production facilities. Appropriate safeguards should be put in place to ensure that a qualifying facility does not receive a tax credit through a practice of relocating emissions sources to production or midstream facilities.

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB538 is not enacted, qualifying facilities will not receive a tax credit for certain volumetric emissions reductions or the installation of related equipment.

AMENDMENTS