

Climate Change Regulation in New Mexico

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Overview

- Effects of Climate Change on New Mexico
- The Costs of Inaction
- Why Cap-and-Trade?
- The Regulation
- Legislative Authority



Effects of Climate Change in NM

- Scientists predict that New Mexico and the West will be hit hard by global warming:
 - Hotter Temperatures
 - Reduced Snowpack
 - Lower Stream Flows
 - More Forest Fires
 - Reduced Plant and Animal Diversity



Effects of Climate Change in New Mexico

Severe disruption of natural habitats and ecosystems



Effects of Climate Change in New Mexico



Rio Grande, north of Albuquerque, New Mexico.

More Rain & Less Snow

Reduced Water Supply



Earlier Snow Melt

Shorter Warmer

Winters



National Academy of Sciences Report-2010

- 97 to 98 percent of the most published climate scientists agree with the IPCC conclusions about human caused climate change
- There is striking agreement with the primary conclusions of the IPCC
- The relative climate expertise and scientific prominence of the researchers unconvinced of human caused climate change are substantially below that of the convinced researchers

Potential Costs of Inaction to New Mexico: Climate Leadership Initiative

- 2020: Added costs of \$3.2 Billion
(\$3,400/household/year)
- Costs related primarily to:
 - Increased Wildland Fire Costs
 - Increased Health-Related Costs
 - Increased Energy-Related Costs
 - Lost Recreation Opportunities
 - Increased Flood and Storm Damage





Potential Costs to NM: Sandia National Lab

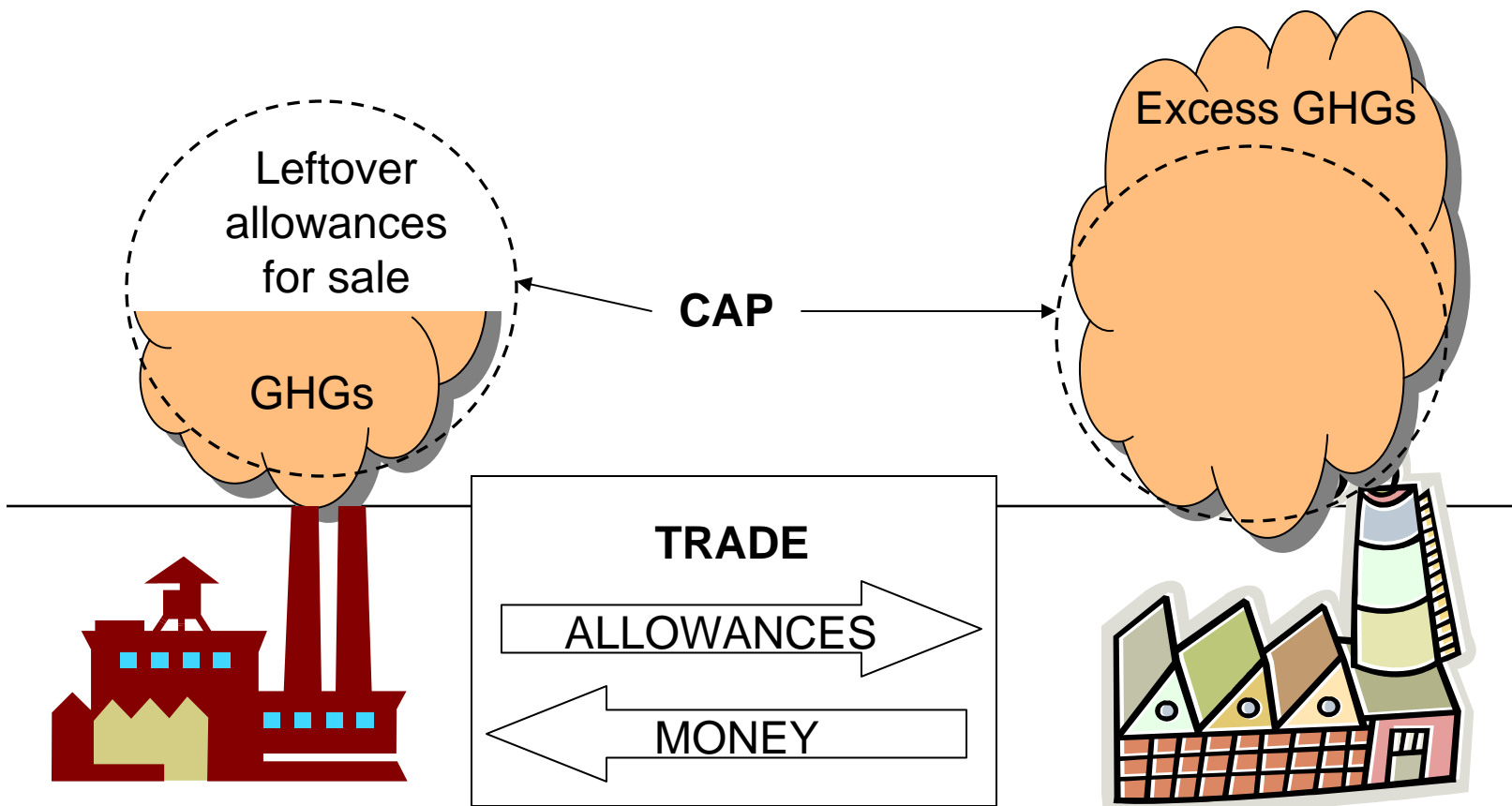
- Predicts effects in NM on employment, population and GDP
- Negative climate impacts to NM GDP estimated to be \$12.7 to 26.1 Billion (2010-2050)
- NM projected to lose 217,600 labor years of work due to climate impacts (2010-2050)
- NM may lose 8300 people as residents migrate across state lines for comparative advantage (2010-2050)

Why Cap-and-Trade?

- ❑ Reduce GHG emissions in the most cost-effective manner
- ❑ Provides more flexibility and costs less than a traditional regulatory program
- ❑ State government does not dictate specific methods of reduction
- ❑ Industrial facilities may sell excess reductions to other participants



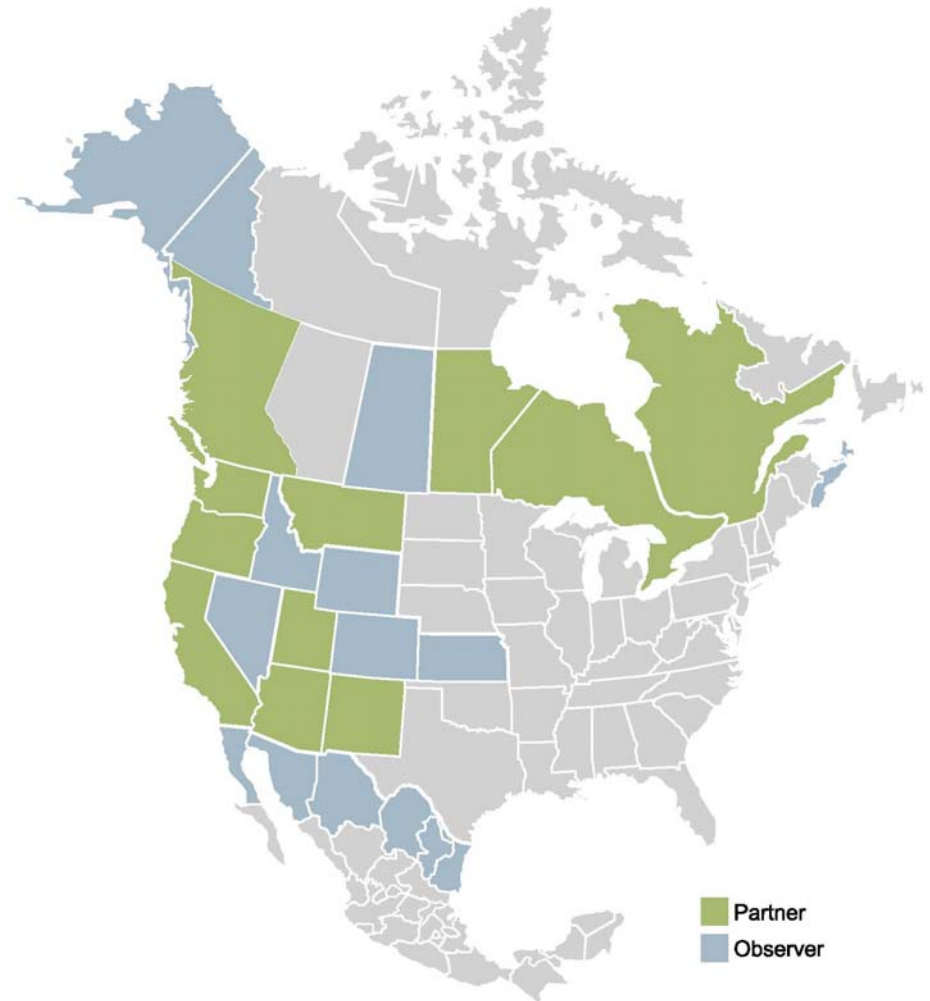
How Does Cap and Trade Work?

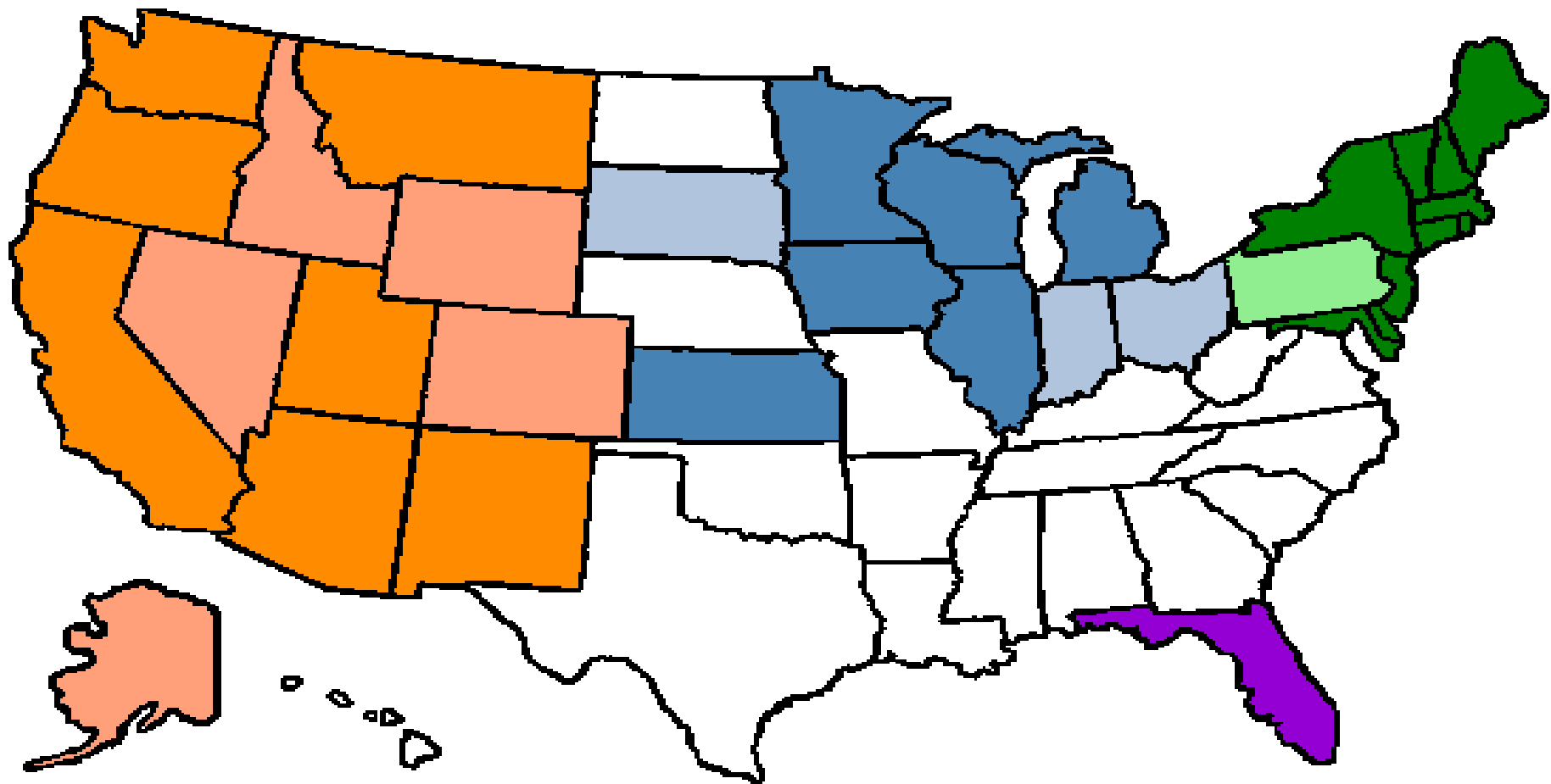


No New Mexico Only Program

WCI Partners and Observers

- NM will participate in regional program
- Working with Western Climate Initiative to develop regional market
- NM will only participate when the market is large enough to be cost efficient





- Regional Greenhouse Gas Initiative RGGI
- RGGI Observer
- Midwestern Regional GHG Reduction Accord
- MRGHGRA Observer
- Western Climate Initiative
- Western Climate Initiative Observer
- Individual State Cap-and-Trade Program



NMED's Cap and Trade Program

- Program starts in 2012 provided sufficient market size (100 million metric tons GHGs)
- Bernalillo County and Tribal lands not covered (outside of State Board jurisdiction).
- Annual 2% reduction in GHG emissions until 2020
- Reductions are achieved at the facility, or at the facility from which allowances are purchased

Affected Facilities

Cap & Trade:

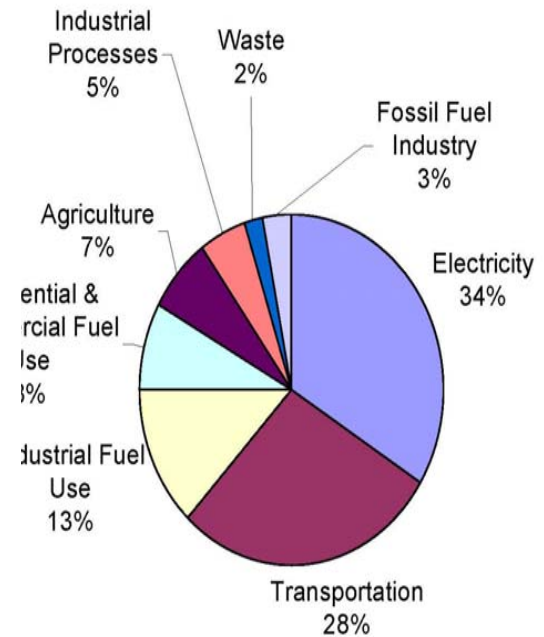
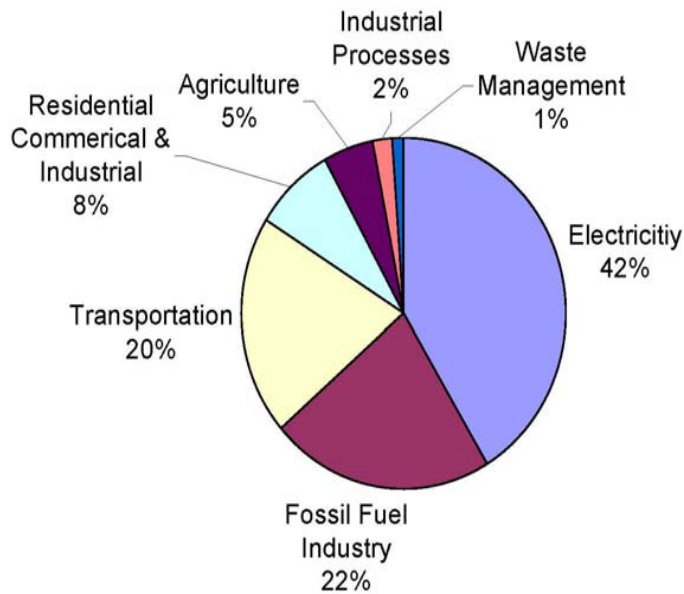
- Facilities that emit 25,000 metric tons GHG or greater/ year
 - Power plants
 - Refineries
 - Gas plants
 - Other large combustion sources
- 25,000 metric tons GHG = 4780 light passenger vehicles
- About 63 sources in program



GHG Emissions Comparison

2007 GHG Emissions in NM

2007 GHG Emissions in US





Not Included In The Program

- ❑ Motor vehicles
- ❑ Farms and ranches
- ❑ Residential, commercial and industrial buildings
- ❑ Irrigation pumps at agricultural operations
- ❑ Methane emissions from landfills
- ❑ Emergency generators
- ❑ Oil and gas well sites



Cost Containment Provisions

- ❑ Free allocation of allowances
- ❑ Allowance trading encourages the market to find the lowest cost way to achieve reductions
- ❑ Offsets can be used to meet reduction obligation
- ❑ Three year compliance period allows emitters to make adjustments over time
- ❑ First obligation to surrender allowances does not occur until 2015
- ❑ Emitters can bank allowances to use them whenever they want



Predicted Economic Impacts of Participating in a Regional Program

- Economic analysis: New Mexico can reduce GHG emissions, support economic growth and realize a modest net savings to the New Mexico economy.
- The analysis builds upon and is consistent with the regional analysis conducted by WCI.
- Results are also consistent with other recent state and federal analyses on climate change mitigation.



Economic Analyses

- The economic analyses conducted by NMED and PNM predicted less than 1% change in employment, gross state product and earnings by 2020.
- The NMOGA analysis predicted less than 1% change in employment in 2025.



Cap and Trade Rule Making Process

- Proposed rules submitted to Environmental Improvement Board (EIB) on June 4.
- Technical testimony heard September 20th thru 30th in Santa Fe.
- EIB deliberated and ruled in favor of the rule by on November 2
- Rule to be effective January 1, 2011



Legislative Authority

- The NMED proposal relies on existing authority to regulate pollution sources in the state
- Existing authority was challenged, but the Supreme Court ruled that the EIB may continue with a hearing to regulate greenhouse gasses

For More Information.....

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