

**TWENTY-FOURTH NEW MEXICO FIRST TOWN HALL**  
**NEW MEXICO'S ENERGY FUTURE**  
Farmington, June 1-4, 2000  
**EXECUTIVE SUMMARY**

Energy is an integral component of the lifeblood of New Mexico's job producing economy. New Mexico is rich in numerous natural resources and other assets that provide the basis of energy production within the state as well as the potential for future growth and expansion in energy industries. The challenge for New Mexico is how to best use from an economic, efficiency, and environmentally friendly perspective, New Mexico's abundant energy resources not only to meet the citizens' consumption needs, but also to generate increasing amounts of energy to grow more industry within the state and export more energy to other states and countries.

**NEW MEXICO'S ENERGY ASSETS**

New Mexico has the widest range of presently known energy resources of any state in the nation. The integrated infrastructure, human resource expertise and technical support to fully develop and utilize these resources complement the state's richness in natural resources. New Mexico's energy resources range in nature from those in the extractive industries and renewable energy resources, to an extensive gas pipeline and electrical grid system, to valuable human resources including an educated energy workforce and interested citizenry, to influential members of state and national government, to our universities and national laboratories. New Mexico's economic future is dependent on balancing the economic benefit against the social detriment of utilizing these assets. The following energy assets must be diligently considered in planning New Mexico's energy future: natural gas, oil, coal, carbon dioxide, geothermal, solar, wind, uranium, landfill gas, biomass, electric transmission system, gas pipeline system, knowledgeable and influential political leadership, experienced energy workers, the state's universities and national laboratories, and interested citizenry.

**IMPORTANCE OF ENERGY ASSETS TO NEW MEXICO'S ECONOMIC FUTURE**

New Mexico's energy assets stimulate and produce both primary and secondary employment opportunities and benefits for New Mexicans as well as extensive revenues to the state in the form of taxes and royalties. Revenues from these assets provide funding for schools, hospitals, state government's general fund, and many vital capital outlay projects across the state. New Mexico's energy assets provide a major economic base, keeping dollars in New Mexico benefiting all the citizenry. There is great potential for efficiency and innovation that should place New Mexico at the forefront of economic and energy development given its incredibly diverse energy resources and the technological expertise available to support and develop them. With an expanded focus on developing cost-effective reliable energy assets New Mexico can attract and retain good business and jobs for its citizens, leverage these assets in ways that will encourage new business, take a leadership role in energy research and development, and foster the potential for national and international export. The potential for developing New Mexico's renewable asset base and technological innovations for fossil fuels also provides the opportunity to mitigate environmental impacts, maintain our quality of life, and allow New Mexico to continue to be an energy leader.

**RELIANCE ON EXTRACTIVE INDUSTRIES FOR TAX REVENUES AND EMPLOYMENT**

Extractive resources are finite, so while New Mexico should continue to look to the extractive industries for tax revenues and employment, so should we focus on looking for ways to diversify our tax base. New Mexico should evaluate the quality of the tax structure for energy industries to ensure competitiveness among sectors and with other energy producing states. We should continually evaluate the tax (including dual taxation), royalty, and regulatory structures to ensure that the state can attract and maintain investment in the energy industry; encourage development, attraction, and retention of a diversified tax base industry; and protect the environment. New Mexico should provide incentives for energy industries, such as the recent use of severance tax incentives, to help keep the energy industry a viable economic engine in the state.

**NUCLEAR POWER**

Due to a number of factors, including public perception and the emotional political issues associated with nuclear power, its future expansion and future contribution are unknown. Because of our uranium resources, New Mexico should be prepared to respond to any changes in the political environment and marketplace in the future, and the U.S. Congress and the Executive Branch of the federal government should move forward on the Nuclear Waste Policy Act of 1982.

**ELECTRICITY AND ALTERNATIVE ENERGY SOURCES**

Concern for the effects of restructuring of the electric power industry on the residential consumer, rural communities and small business sectors are considerable. It is recognized that there are both potential opportunities and threats inherent in the restructuring of the electrical industry.

**Preparation for a Competitive Electricity Market:** Education to inform customers of the process and options available to them *prior* to the start of restructuring is vital. The information about choices and consequences needs to be explained in simple terms to customers and should not only precede the starting date, but increase closer to the time when their options become available. Additional funding for this education effort should be a priority for both the legislature and the New Mexico Public Regulation Commission. Comparing the results and effects of restructuring in New Mexico against the experiences of other states is critical. Legislative and regulatory bodies should ensure fair access to the electric grid and fair interconnection policies for new generation sources.

**Alternative Sources of Energy:** New Mexico should support and encourage the development of alternative sources of energy; however, future support should take the form of incentives and not mandates of specific sources or their use. Issues that should be considered include: cost benefits, potential environmental improvements and their impacts, economic and technical benefits, energy efficiency, and investments which create sustainable alternatives. Distributed resources as well as other alternative resources should be recognized and encouraged as a method of achieving conservation and improved energy efficiency.

**Vehicular and Industrial Pollution:** Affirmative steps must be taken to provide education and offer affordable solutions to issues such as expansion of mass transit and light rail; allowing high density, mixed-use development that reduces the need for transportation; incentives to utilize alternative forms of transportation such as alternative fuel vehicles; carpooling; and, local, governments should consider adopting emissions testing.

**Industrial:** Existing regulations in the Clean Air Act are sufficient when applied to most emitters and should be continued. Applying the Clean Air Act with a regional focus should be considered. Reconsideration should be given to the unintended consequence of the Act amendments which results in some facilities in the state, that could reduce emissions and increase efficiencies, not doing so because this triggers additional environmental compliance requirements under the Act.

## **STATE AND FEDERAL REGULATION OF OIL AND GAS PRODUCERS**

Cumbersome regulatory and permitting processes together with a lack of adequate funding for appropriate regulatory agencies discourage exploration for new reserves development of existing resources on our state, federal, private and tribal lands. The working relationship between the industry and state regulatory agencies is good and should be continued in order to foster the economic benefits the state and its citizens receive from the industry. Nevertheless, in order to streamline the permitting process, state and federal requirements should be combined where possible. While the oil and gas industry's relationship with state regulatory agencies is positive and cooperative, working with the U.S. Bureau of Land Management is often more complicated. Consistent and coordinated regulation among regulatory agencies is the cornerstone of efficient and environmentally sound development, and the state's Congressional Delegation should be asked to encourage agencies to apply regulations with this spirit in mind. It is recommended that a summit be set up with representatives from the energy industries; the public; and state, federal, and tribal governments and their respective regulatory bodies to address the development of oil and gas and other energy resources on tribal lands and to promote the development and growth of the energy industries and other associated industries. Proper plugging of oil and gas wells, aging infrastructure, and mitigation of noise and dust resulting from oil and gas development should be addressed.

## **ENVIRONMENTAL CONSEQUENCES OF COAL-FIRED PLANTS**

Given the significance and importance of coal-produced energy for the Four Corners area and New Mexico in general, the balancing of energy interests with environmental ones is a delicate proposition. A clean and healthy environment is a goal and must be achieved with the help and assistance of energy producers in a collective, cooperative effort. Fossil fuels will be the major fuels of the future. It is expected that their use will increase in the next 20 years. Electrical generating stations are currently utilizing the best available retrofit technologies to reduce emissions, and new technologies appear to be on the horizon. Facilities should be allowed to make incremental improvements in operating efficiency, performance, reliability and pollution reduction without triggering new source performance standards. The issue of mercury emissions from coal-fired plants is a serious one and deserves careful study and monitoring.

## **A DESIRABLE ENERGY FUTURE FOR NEW MEXICO**

While New Mexico is rich in its energy resources there are a number of steps that can be taken to improve the energy industry. A desirable energy future for New Mexico provides reliable, affordable, and sustainable energy for all citizens of New Mexico and is also environmentally sound and culturally sensitive. Energy can propel the state's economic development, and, therefore, improve the quality of life for New Mexico and its residents. New Mexico should promote and invest in the research and development of new technologies that would improve how we produce and distribute energy and find ways to tap into sources of renewable energy. New Mexico should look to diversify its revenue-generating base and become less dependent on the extractive industry for revenue. State and federal tax policies should be reassessed and reviewed to eliminate inefficient and ineffective regulation and inconsistencies which hinder competitiveness of New Mexico energy producers and decrease benefits to New Mexico consumers. Open access to the electric distribution grid, incentives for energy research and development, exportation of New Mexico's energy products, and an informed, well-educated populace are all a part of a desired energy future for our state. New Mexico State government has the primary role in implementing these goals and recommendations to achieve this desired future.

## **CONCLUSION**

To place itself at the forefront of energy development, production and distribution, New Mexico must:

- Add high paying jobs and diversify its industrial base through its human and natural resources and aggressively pursue research in energy efficiency and alternative and renewable sources and their potential applications through grants and other incentives.
- Assess the appropriateness of current taxation on coal production to ensure that New Mexico's involvement in this area does not hinder the competitiveness of its companies in these energy markets.
- Investigate, without compromising or challenging tribal sovereignty, the negative effect of dual or multiple taxation against energy resource developers, producers, and distributors in situations involving energy on tribal or federal land.
- Ensure that New Mexico's process for determining a company's access to its lands is both standardized and orderly.
- Develop policies to expand the use of its vast renewable resources to realize their economic and environmental benefits.
- Encourage the State Economic Development Department to take steps to attract new enterprises that would use New Mexico energy resources or leverage energy resources in new ways to benefit the state's economy.
- Request the legislature to appropriate, in the 2001 session, if not already provided in the year 2000, funds that will immediately be available to the NMPRC for consumer education.
- Request the legislature to appropriate, in the 2001 session, if not already provided in the year 2000, funds that will immediately be available to the NMPRC to hire experts to study technical problems and other restructuring issues.
- Request the executive and legislative branches of New Mexico State government adopt appropriate tax incentives to foster responsible energy production and consumption.
- Support state and federal procedures that ensure access to, development of and distribution of energy and natural resources. Processes and rules should be streamlined and standardized and prevent anti-competitive practices.
- Support legislation supporting the Petroleum Technology Transfer Council and the Petroleum Recovery Research Center in their efforts to develop treatment of water from oil and gas wells.
- Request that the New Mexico Congressional Delegation convene a summit with representatives from the energy industries; the public; state, federal, and tribal governments and their respective regulatory bodies, to discuss issues such as rights-of-way, procedures and regulations, and to promote the development and growth of the energy industry and other associated industries.
- Pursue cost-effective strategies to improve mass transit, especially in the central Rio Grande region, to minimize vehicular energy consumption and to reduce pollution from vehicular sources.