SB 14 - CLEAN FUEL STANDARD ACT

THE CLEAN FUEL STANDARD ACT ESTABLISHES A DANGEROUS CARBON OFFSET SCHEME THAT WILL LEAD TO INCREASED EMISSIONS

Both the Clean Future Act and the Clean Fuel Standard Act introduced in the legislature this session are masquerading as environmental bills while actually requiring the government to develop complex trading schemes, in 2025 and 2024 respectively, to allow utilities and oil and gas companies to pursue offsets, trades, and financial shuffling rather than enacting real emissions reductions.

The Clean Fuel Standard Act directs the Environmental Improvement Board (EIB) to adopt a Clean Fuel Standard (CFS) that reduces the climate impacts of transportation fuels in New Mexico by a minimum of twenty percent below 2018 levels by 2030 and by a minimum of thirty percent below 2018 levels by 2040. The central mechanism for implementation established by the bill is a system whereby individuals and companies can earn “credits” by reducing emissions, and then sell those credits to individuals or companies who won’t meet the applicable standard.

When evaluating carbon trading schemes one has to ask: Were the credits sold based on accurately measured emissions reductions? Are those companies buying credits truly unable to reduce their emissions, or did they calculate that buying credits would be cheaper and easier? Would greater emissions reductions be achieved if both the buyer and the seller of those credits were simply mandated to reduce emissions or face penalties? In most cases carbon credit markets are difficult to accurately quantify and enforce, they allow corporations to purchase cheap credits while continuing to pollute above an agreed-upon cap, and greater emissions reductions could be achieved through courageous legislative action.

Why does enacting clean fuel standards necessitate a carbon credit trading scheme? It does not. Legislative action to require emissions reductions does not have to include trading schemes that depend upon unverifiable offsets and credits. NMED and EMNRD are already underfunded and understaffed, making enforcement of existing standards difficult. **Simple alternative solutions to transport sector emissions like strict fuel efficiency standards for vehicles and mandating a percentage of electric vehicles to be sold in New Mexico would be much more effective.**

How is SB 14 unlike Clean Fuel Standards adopted in other states? SB 14 is unlike Clean Fuel Standards enacted in California and Oregon in one important way. An independent analysis of the bill by Stillwater Associates highlighted the fact that unlike other Clean Fuel Standards , SB 14 allows non-transport sector parties to earn credits, including oil & gas and a host of others. Specifically the analysis notes:

"An additional factor, so far unique to the proposed NM policy, is the broadly defined provision for generation of credits by industries other than transportation and transportation fuels. This provision is created by Paragraph 3.D.(5) of SB 11 –

> D. No later than twenty-four months after the effective date of the Clean Fuel Standard Act, the department shall petition the board to promulgate rules to implement the Clean Fuel Standard Act. The rules shall:
> ...
> (5) establish a mechanism for a person to generate credits, including persons involved in agricultural, aviation, chemical, dairy, energy, film, forestry, manufacturing, mining, oil and gas, waste management or wastewater treatment sectors;"

Should fossil fuel companies be paid for emissions reductions that they are already required to make? In the FIR filed last time this bill was introduced NMED wrote: “The creation of a CFS, tied to climate impacts, invites the oil and gas industry to participate in waste recovery mandates (pending rulemaking before the Oil Conservation Commission) and ozone precursor emission controls (pending proposed rulemaking before the EIB) into economically recoverable, climate impact reducing innovations. These new opportunities can generate credits. The predictable schedule of the decreasing climate impact standard allows for [businesses to] fund projects based on the credit market. The market process allows the project that delivers the greatest reduction in climate to be most valued, regardless of the industry sector in which it occurs.” **It appears the actual purpose of this bill is to allow the oil and gas industry to earn credits for reducing their emissions (including required reductions under recent methane and ozone precursor rulemaking) and sell those credits to companies that can’t or won’t reduce their own emissions.**

Carbon offsets, credits and trading schemes are designed by the fossil fuel interests that are promoting them around the world to obscure the truth and prolong the use of fossil fuels. The most effective, rapid and just climate solutions are simple and direct - the legislature must mandate reductions from every industry and incentivize the adoption of clean renewable energy.

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