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## **5. ENERGY POLICY: New Mexico seeks to stake claim as clean energy leader**

**Arthur O'Donnell, special to *Greenwire***

SANTA FE, N.M. -- Although California's Gov. Arnold Schwarzenegger gathers the lion's share of national media attention for pursuing policies to reduce greenhouse gas emissions and expand use of renewable resources, the Republican has a friendly but determined rival in New Mexico Gov. Bill Richardson (D).

The two executives have shared leadership in pushing the Western Governors' Association to adopt landmark goals for clean power and efficiency, but it is New Mexico that has declared itself "THE Clean Energy State."

New Mexico's population of just under 2 million may be demographically dwarfed by California's 36 million, but its energy ambitions are every bit as large.

"We are a huge coal, oil and natural gas state that's making a dramatic transition," said Craig O'Hare, special assistant for renewable energy in New Mexico's Energy, Minerals and Natural Resources Department. "We are positioning New Mexico to be a leader in the new energy economy," he told an audience at the "Energy in the Southwest 2006" conference held here July 13.

Among policies that have been put into effect is a 10 percent renewables portfolio standard by 2011 that has already been exceeded by the state's largest regulated utility, Public Service Company of New Mexico (PNM). "We've asked that the utilities voluntarily increase that to 20 percent by 2020," said Ben Lujan, president of the Public Regulation Commission.

While PNM has not yet agreed to the voluntary increase, its CEO Jeff Sterba fully endorses the current RPS goals even as the utility tries to keep a lid on retail energy prices to customers. "We support RPS," Sterba said. "We believe we can't get costs [of renewables] down unless we encourage use of these technologies."

To further push utilities along the renewable path, the commission has directed PNM to revisit proposals received from biomass and solar projects that initially did not make the cut during a recent power solicitation that favored wind projects. The agency also intends to create a special "carve out" of the RPS percentages for concentrated solar collectors, which are currently moving into commercial operation in the Southwest, Lujan said.

Ben Luce, director of the New Mexico Coalition for Clean Affordable Energy, said that the state has nearly 2,000 gigawatts of "realistically developable" solar power resources, putting it second in U.S. solar potential behind Arizona.

The state also has the potential for tens of thousands of megawatts of wind power, Luce said; more than enough to meet its own needs as well as fulfill other Western states' RPS commitments, if the power can be brought to market. "This is an industry we really should be leading," Luce said.

### **First state in Climate Exchange**

New Mexico has also taken an aggressive stance on climate change, with Richardson last year issuing an executive order that targets a reduction to 2000 levels of greenhouse gas emissions by 2012, 10 percent below those levels by 2020 and 75 percent below by 2050.

These goals have been backed up with other actions, such as when New Mexico this year became the first state to join the Chicago Climate Exchange and Richardson committed state agencies to reduce GHG by 4 percent this year, with the potential for another 2 percent reduction by 2010. Richardson also joined with Arizona Gov. Janet Napolitano (D) to create a Southwest Climate Change Initiative program.

"We know these targets are aggressive," said Sandra Ely, environmental and energy policy coordinator for the state Environment Department. "Our emissions are relatively small, only about 80 million metric tons per year, or 1.4 percent of the nation's total. But we want to show leadership, and we are looking for homegrown solutions."

Ely said that an initial audit of emissions has shown that New Mexico produces twice the national average of GHG on a per capita basis, and that without limits its emissions were projected to grow 8 percent by 2010 and 23 percent by 2020. Its GHG profile differs from the norm, in that two-thirds of all emissions derive from electric power generation and the fossil-fuels industry, while only 17 percent is transportation related.

Ely said that the inventory also revealed that meeting the goals will be a challenge. "We are well above our baseline," she said "We know that we will be purchasing credits to meet our targets." The cost of credits on the Chicago Climate Exchange has more than doubled since the start of 2006, she said, with current prices approaching \$4.50 per ton of carbon equivalent.

"We'd like to buy those credits in state," Ely said. "We're looking for projects but doubt any will be ready by the end of the year." Among possibilities for local offsets are a new methane-digester project or installing solar panels on school buildings.

A state climate change advisory group is in the process of developing recommendations for reduction strategies that will be sent to the governor by the end of the year. "There are 65 potential reduction strategies we're looking at, and costs associated with each," Ely reported. Among options being considered are expanding the RPS, oil & gas industry reductions, encouraging cleaner coal technologies with carbon sequestration, green power purchases, building performance standards, alternative transportation fuels, mandatory emissions reporting and joining a Western GHG registry.

## **Legislative outlook for 2007**

Many of these ideas could find their way into legislation in 2007, said O'Hare (of Natural Resources Dept., above). New Mexico has a very short legislative session, he explained. Lawmakers met for just 30 days in 2006 and have two-month session during 2007, which makes it incumbent on the administration to line up its energy priorities well in advance.

Already in the works is a bill to amend the state's solar market development income tax credit, which already exceeds the federal PTC by covering up to \$9,000 or 30 percent of the cost of an installation for 10 years. The proposal would decrease the minimum size of eligible projects from 10 MW to 1 MW.

The administration also want to exempt concentrating solar power projects from sales taxes and is considering incentives or minimum purchase standards for transportation fuels derived from ethanol or biomass. "We're being cautious about ethanol, we have some concerns," O'Hare said. "We don't want to completely hop on the ethanol bandwagon."

O'Hare concluded, "Our number one priority is to get the Renewable Energy Transmission Authority Act passed next year."

The act, which failed to win passage by last day of the state Legislature's short session this year, would authorize up to \$5 billion in state revenue bonds for electric transmission projects while reserving 30 percent of line capacity for renewable project interconnections.

Despite some lawmakers' concerns about the use of state-backed bonds, O'Hare said, "We feel pretty confident it will get passed by mid-March of next year."

*O'Donnell is an independent energy and environmental writer in San Francisco.*