

WRITTEN STATEMENT OF

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State of New Mexico

Hearing on

State Perspectives on Cutting Methane Pollution

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Good afternoon, Madam Chair and Members of the Committee. Thank you for inviting me to testify today. I am Governor Michelle Lujan Grisham from the State of New Mexico.

Today I will speak about New Mexico's actions to address the climate crisis. I will discuss a broad range of policy, regulatory, and legislative actions we've taken, with emphasis on actions we're taking to minimize methane emissions that contribute to global climate change. New Mexico's climate actions, especially regarding methane, are nationally leading models for federal agencies and other states.

New Mexico is a major energy-producing state. We are the second-largest onshore oil producer, a major natural gas producer, and home to the largest wind power plant in North America. New Mexico is also strongly committed to addressing the climate crisis. Reducing greenhouse gas (GHG) emissions and keeping warming to less than or equal to 1.5 degrees Celsius is critical to the health and well-being of all New Mexicans – and everyone on the planet.

One of my first major actions as governor was to set New Mexico on a path toward a greener future when I signed Executive Order 2019-003 *Addressing Climate Change and Energy Waste Prevention* ("Executive Order").¹ The Executive Order directed the state to join the U.S. Climate Alliance and achieve statewide GHG reductions of at least 45% by 2030 compared to 2005 levels. It also established an interagency Climate Change Task Force and directed actions including:

- Legislation to increase the New Mexico renewable portfolio standard and increase energy efficiency standards for electric utilities;
- Adoption of clean car standards;
- Adoption of building energy codes;
- Collaboration with the New Mexico Renewable Energy Transmission Authority (RETA) to identify transmission corridors needed to transport the state's renewable energy to market; and
- Development of a statewide, enforceable regulatory framework to secure reductions in oil and gas sector methane emissions and to prevent waste from new and existing sources.

All the specific policy directives I just mentioned have been accomplished and are in the implementation stage. In 2019 I signed the Energy Transition Act (ETA), enacting an 80% renewable portfolio standard and a 100% zero-carbon standard by 2050 for all electricity providers in the state. Importantly, the ETA also provides tens of millions of dollars of transition assistance for impacted communities and workers affected by the coal-to-clean transition. We also have adopted clean car standards and updated our statewide building energy codes. RETA completed an electric transmission study in

¹ Executive Order 2019-003 *Addressing Climate Change and Energy Waste Prevention*
https://www.governor.state.nm.us/wp-content/uploads/2019/01/EO_2019-003.pdf

2020 and updated it in 2022,² and last year in a public-private partnership with Pattern Energy, brought the 155-mile high-voltage Western Spirit transmission line into commercial operation.

In 2020, a study from Colorado State University analyzed New Mexico’s GHG emissions in detail, giving us the best estimates to date of our recent and projected emissions.³ In 2018, New Mexico emitted approximately 113.6 million metric tons (MMT) of GHG emissions – an amount equal to approximately 1.8% of total U.S. GHG emissions (6,457 MMT). The emissions are generated by the industrial sector (including oil and gas) at 53%, transportation sector (14%), electricity generation (11%), other industry (7%), agriculture (7%), natural and working lands (5%), and commercial and residential users (3%).

Our GHG inventory informed additional policies and investments. In a rural state like New Mexico, we know we must take continued action to reduce emissions from the transportation industry. We have made quick progress deploying additional electric vehicle (EV) charging infrastructure statewide, making EV use easier and more accessible. Visitors to New Mexico can now pick up a rented EV at the Albuquerque Sunport and drive to ski in Taos, explore the Navajo Code Talkers Museum in Gallup, or hike in Caballo Lake State Park without worrying about running low on charge. In 2021, 69 new charging stations were installed across the state, bringing the total to 166 publicly available stations with 391 individual charging outlets. Also in 2021, NMED designated approximately \$7.4 million of Volkswagen settlement money for projects to reduce emissions from diesel-fueled vehicles. Finally, we will be investing an additional \$38 million over the next five years into our EV charging infrastructure thanks to the funding provided in the Bipartisan Infrastructure Law.

We did not stop with charging infrastructure investments; we also adopted a clean car rule to ensure that low and zero emission vehicles are available in New Mexico. Our clean car rule implements California’s Advanced Clean Cars program beginning July 1, 2022. The regulations will reduce emissions of greenhouse gases and ozone- and smog-causing pollutants from new passenger cars, trucks, and SUVs starting in model year 2026. The clean car rule is projected to eliminate about 130,000 tons of greenhouse gases and over 1,700 tons of harmful ozone-forming air pollution in New Mexico by 2050. All while saving New Mexicans \$237 million in fuel and maintenance costs by 2050.

We have made solar more affordable and accessible through the Community Solar Act, which requires that each project must have a 30% carve-out of its capacity reserved for low-income customers and low-income service organizations. In the first two years of our new Solar Market Development Tax Credit, over 2,300 solar projects per year are

² <https://nmreta.com/nm-reta-transmission-study/>

³ Sharad Bharadwaj, et al., “New Mexico Greenhouse Gas (GHG) Emissions Inventory and Forecast” (Prepared for the Center for the New Energy Economy at Colorado State University by Energy and Environmental Economics, Inc., October 27, 2020), <https://cnee.colostate.edu/repowering-western-economy>

providing more than 16 MWs of energy and have been installed in nearly every New Mexico county.

Our public engagement on climate is ramping up too. We have established a Technical Advisory Group of public members to advise our climate work and a comprehensive set of equity principles to guide all state agencies' climate work.

The 2021 report from the Climate Change Task Force provides additional details about our progress to date.⁴ Our current policies will reduce emissions by 31 million metric tons (MMT) of carbon dioxide equivalent (CO₂e) by 2030. Policies that we have planned will reduce emissions by an additional 17.3 MMT of CO₂e. While this is tremendous progress, we still need to develop policies and strategies to find an additional 16.4 MMT CO₂e of emission reductions to meet our GHG reduction obligations.

The industrial sector, which includes oil and gas production, is the largest source of greenhouse gas emissions in New Mexico – representing approximately 53% of all GHG emissions in the state. A substantial portion of those emissions are methane, which the U.S. Environmental Protection Agency estimates is 25 times more potent than carbon dioxide. However, methane is a short-lived GHG in the atmosphere, so reducing methane concentrations now can slow temperature rise through midcentury.

New Mexico has a long oil and gas production history, starting in the 1920s. The state's two major basins are the San Juan Basin, which is predominantly a natural gas-production region located in the northwest section of the state, and the Delaware Basin – which is part of the Permian Basin and is an oil-production region in the southeast portion of the state with large volumes of associated natural gas.

Today, the Permian Basin that stretches under southeastern New Mexico and into Texas is the largest oil producing area in the United States. New Mexico oil production has increased by over 700% in the past 10 years, making our state the 2nd highest oil producing state behind Texas. These dramatic increases are largely the result of shale development through horizontal drilling and hydraulic fracturing. This production has resulted in record-high revenues for the state of New Mexico, which we've invested in priorities like free college for all New Mexicans, expanded access to early childhood education, and raises for our educators.

The oil and gas industry is extremely important to New Mexico's economy and is also the state's largest source of climate pollution. Reducing natural gas waste from venting, flaring, and leaks, as well as ozone precursors is mission-critical to meeting New Mexico's climate targets. In short, New Mexico cannot reach its GHG reduction goals without tackling methane pollution. Given that reality, we embarked on a conscientious and comprehensive approach to reduce those emissions. The result was a framework of nationally leading regulations.

⁴ Available at <https://www.climateaction.nm.gov/>.

Both the New Mexico Environment Department (NMED) and the Energy, Minerals and Natural Resources Department (EMNRD) regulate aspects of the oil and gas sector. NMED regulates air pollution under the state Air Quality Control Act, while EMNRD regulates the waste of a resource (natural gas) under the state Oil and Gas Act. Finalized in 2021, EMNRD's natural gas waste rules require that 98% of natural gas produced and transported be captured by the end of 2026, preventing it from entering the atmosphere and contributing to a warming climate. Meanwhile, NMED's rule adopted this spring will not only curb harmful air pollutants from the oil and gas industry but eliminate up to 426,000 tons of methane emissions annually.

The agencies approached their respective rulemakings in a collaborative manner. They each committed to two years of stakeholder engagement before formally proposing draft rules. Even during the COVID-19 pandemic, we succeeded in doing this preparatory work through virtual meetings and negotiations. We also went beyond the legally required public notices to ensure that by the time we started the formal rulemaking process we had resolved as many concerns as possible from industry, non-governmental organizations, and other members of the public. This commitment to engagement and transparency throughout the process fostered a sense of ownership and helped build consensus among a broad range of stakeholders, including tribal governments, non-governmental organizations, industry and the public.

To ensure that we developed rules based on the best technical and scientific data available, NMED and EMNRD also jointly convened a Methane Advisory Panel (MAP). The group dove into the details of natural gas dehydration units, compressors and engines, and all aspects of technology related to leaks, venting, and flaring. Both agencies benefited from the MAP's technical report which formed the basis for both departments' rules.⁵

EMNRD's final rule requires 98% gas capture from production and midstream operations by the end of 2026. Starting in May 2021 and ending in May 2022, Phase 1 establishes meaningful baselines and enforceable goals to reduce natural gas waste. Beginning in June 2022, Phase 2 requires operators to meet the reduction targets established in Phase 1. Importantly, the rules prohibit routine venting and flaring and limit operational venting and flaring to tightly defined exceptions – and it all must be reported to EMNRD so that regulators and the public know exactly how many emissions are entering the atmosphere from the industry. The rules are technology-neutral, so as new emerging technologies evolve the rules will not need to be revised.

This spring, NMED's ozone precursor rules were enacted. These rules will reduce ozone pollution and toxic air contaminants, as well as ozone precursor pollutants – which has the co-benefit of reducing methane emissions. The environmental benefits are estimated to eliminate up to 426,000 tons of methane emissions annually, equivalent to the energy needed to power 1.2 million homes per year. These enforceable rules for new and existing sources apply to all wells, large or small, with appropriately scaled requirements. They encourage innovation by being technology-agnostic on emission controls and

⁵ <https://www.env.nm.gov/new-mexico-methane-strategy/methane-advisory-panel/>.

monitoring practices. They also require frequent leak detection and repair, which is important for fence line communities, while creating local jobs. Finally, there are emission reduction requirements for significant sources of methane, including storage tanks, pneumatic controllers and pumps, natural gas well liquid unloading, compressors, glycol dehydrators, pig launching and receiving, well workovers, and produced water management units. The rule also establishes a rebuttable presumption for industry to demonstrate its compliance when credible evidence from a third party is presented to the state that otherwise suggests a potential violation.

Together, New Mexico's rules work in concert with one another, providing a comprehensive regulatory framework while not being duplicative or mutually exclusive. The rules are nation leading by requiring enforceable emission reductions, encouraging innovation, and complementing each other without conflicts or gaps. The U.S. Environmental Protection Agency and Bureau of Land Management should model national efforts on New Mexico's success.

New Mexico shows what it looks like to be a climate leader and a major energy producer, while growing and diversifying our economy. Our efforts were on the world stage in November 2021, when I represented New Mexico at the United Nations Climate Change Conference in Glasgow, Scotland. I was honored to speak alongside President Joe Biden's top climate advisors, where I highlighted New Mexico's climate successes. In Scotland, we heard again and again that effective government at the sub-national level is often what initiates, influences, and steers global action. We know our work has impacts beyond our borders, but also recognize it is not done. Scientists call this the "decisive decade" for climate action.

And we need look no further than my own state to see the devastating impacts climate change is already having on our communities. Today, the two largest wildfires in New Mexico history continue burn in our state. One of these fires has been burning since April, more than a month before the traditional start of fire season. Firefighting costs alone for these fires are estimated at about \$230 million, and that's without the extensive work that must be done to repair and rebuild our communities, the surrounding forests, and the watersheds. But even more important than the cost, we've suffered tremendous losses. Family homes steeped in centuries of tradition went up in flames, and the lives of thousands of New Mexicans have been upended and forever changed.

We can't sit back and allow disasters like this to become the norm. We're doing everything we can in New Mexico to meet the climate crisis head-on. But it's going to take all of us, across every level of government, to reverse the extreme impacts we're already starting to see and address the climate crises for ourselves and the generations to come.

Thank you for the opportunity to testify today.