



Economic Analysis of New Mexico's Comprehensive Energy Transition Strategy

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Executive Summary

Arrowhead Center at New Mexico State University and the Center for Border Economic Development prepared an economic analysis of New Mexico's Comprehensive Energy Transition Strategy (CETS) to estimate the incremental economic effects of pursuing greenhouse gas (GHG) reduction targets beyond current statutory requirements. State energy policy is anchored by the Energy Transition Act of 2019¹ and Executive Order 2019-003.

The Energy Transition Act of 2019 establishes binding requirements for decarbonizing the electric power sector, including a transition to 100% carbon-free electricity by 2045 for investor-owned utilities and 2050 for cooperatives. Executive Order 2019-003 sets economy-wide GHG reduction targets—45% below 2005 levels by 2030 and net-zero emissions by 2050—extending beyond the electricity generation sector to other areas of the economy.

This analysis examines the economic impact of Executive Order 2019-003 on the New Mexico economy using a comparative scenario analysis. The Energy Transition Act, which is established law, serves as the base case, while Executive Order 2019-003 serves as the policy scenario. Results are reported as the incremental economic effects of expanding emissions reductions beyond the electric sector and accelerating decarbonization efforts relative to the Energy Transition Act baseline.

The central economic question facing New Mexico is not whether substantial energy system investments will occur, but how those investments can be structured to promote long-term economic development, preserve affordability and reliability, and mitigate future environmental and infrastructure risks. The Energy Transition Act establishes the policy framework guiding much of this investment, with a strong emphasis on reducing greenhouse gas emissions.

In December 2025, the Climate Action Plan Team—coordinated by the New Mexico Environment Department and the New Mexico Energy, Minerals and Natural Resources Department (EMNRD)—released the Climate Action Plan (CAP).² The CAP provides two implementation pathways for achieving broader statewide emissions goals: the Primary Implementation Measures scenario, which uses traditional regulatory approaches to achieve carbon reduction targets, and the Alternative Implementation Measures scenario,

¹ (New Mexico Legislature, 2019)

² (New Mexico Environment Department & Energy, Minerals and Natural Resources Department, 2025)

which uses a cap-and-trade mechanism. These scenarios provide the basis for estimating the incremental impacts on New Mexico GDP relative to the statutory baseline.

CAP provided detailed estimates of the social costs of GHG emission reductions using a social cost of carbon of \$310 per metric ton of CO₂e (MT CO₂e) based on EPA estimates and 2% discount rate.³ Health benefits were estimated using EPA's CO–Benefits Risk Assessment (COBRA) screening model.⁴ CAP's estimated social benefits are shown in Table 1.

Table 1. CAP's Estimated Social Benefit of GHG Reduction and Health Benefits⁵

Scenario	Monetized Social Benefit of GHG Reduction Through 2050	Monetized Value of Cumulative Health Benefits Through 2050
Primary Implementation Measure	\$202,984,130,000	\$91,108,623,000
Alternative Implementation Scenario	\$827,079,586,000	Not Calculated

Since estimates of social benefits for GHG reduction and associated health benefits were estimated in CAP, our analysis focuses on the incremental effects of implementing CAP measures. Implementation costs were estimated for each measure by payer—state government, federal government, and private sector entities. Measures were evaluated as specified by CAP, and additional assessments of feasibility or likelihood were not made. Economic impacts were estimated for each measure based on expected implementation expenditures, and changes to economic activity. Specifically, new expenditures made to comply with regulations may generate revenue for suppliers in other industries and support additional jobs. Additional supply-chain activity increases local spending and supports further economic activity. These gains may be partially offset by increased compliance costs borne by affected firms, which may influence future investment decisions, operating levels, or the geographic allocation of economic activity across jurisdictions with differing regulatory and cost structures.

Results were discounted using the current default social rate of time preference set by the federal government of 2.0%.⁶ This report presents results by major measure category, with a comprehensive appendix documenting methodology and assumptions, as well as

³ (United States Environmental Protection Agency, 2023)

⁴ (United States Environmental Protection Agency, 2026)

⁵ Restatement of analysis in CAP, no modifications made. (New Mexico Environment Department & Energy, Minerals and Natural Resources Department, 2025)

⁶ (Office of Management and Budget, 2023)

recommended modifications to measures to mitigate negative impacts of the proposed measures.

Key Findings

Key findings are shown in Table 2 for CAP's Primary Implementation Measures, and Table 3 for CAP's Alternative Implementation Measure, which uses a cap-and-trade mechanism. The overall net present value of CAP's Primary Implementation Measures is positive; however, there is substantial variation across measures. Positive net present value effects are driven primarily by two measures: "E-9: Expand Transmission, Generation, and Storage of Renewable Electricity" and "E-7: Strengthen Geothermal Policy and Market Deployment," which includes significant geothermal expansion to support the state's goal of 1 GW of geothermal capacity. Projected positive aggregate GDP effects are driven primarily by large-scale infrastructure and energy development measures, particularly geothermal deployment and electricity transmission and storage investments. Many other measures primarily advance environmental, health, resilience, or risk-mitigation objectives and may not independently generate positive GDP effects absent complementary investment activity. Recommended modifications are provided in the appendix for measures with negative projected GDP impacts, and the economic impacts of the proposed measures with recommended modifications are shown in Tables 2 and 3 as well.

Table 2. Net Present Value of New Mexico GDP Impacts from Primary and Modified Implementation Measures, 2026-2050

Measure Category	Net Present Value of NM GDP Impacts	Net Present Value of NM GDP Impacts With Recommended Modifications
Industry	-\$2,775,621,732	\$4,501,292,132
Transportation	-\$329,805,437	\$4,650,689,662
Agriculture, Forests, and Wilderness	\$112,689,243	\$112,689,243
Electricity Generation	\$11,590,501,487	\$12,713,493,915
Commercial and Residential Buildings	-\$5,580,093,520	\$1,550,068,472
Waste and Materials Management	\$444,071,372	\$483,970,713
Total	\$3,461,741,413	\$24,012,204,137

CAP's Implementation Scenario performed better than the Alternative Implementation Scenario in our analysis. This is primarily due to the design of the Alternative Implementation Scenario, which does not detail revenue recycling. Revenue recycling is

crucial to offsetting impacts of additional tax imposed under a carbon tax system. Without revenue recycling, the additional tax impact may reduce competitiveness and lead to lower personal incomes and higher prices across all categories. Revenue recycling, typically in the form of tax breaks or offsets to keep the tax impact neutral, can help mitigate these issues provided that redistribution is proportional and key industries are not significantly impacted. Our recommended modifications of the Alternative Implementation measure include revenue recycling.

Table 3. Net Present Value of New Mexico GDP Contributions from Alternative Implementation Scenario, 2026-2050

Measure Category	Net Present Value of NM GDP Impacts	Net Present Value of NM GDP Impacts With Recommended Modifications
Goods & Services Inflation less Electricity and Fuel	-\$7,967,620,611	-\$1,991,905,153
Higher Electricity Prices	-\$264,280,677	-\$66,070,169
Higher Fuel Prices	-\$2,475,723,547	-\$618,930,887
Negative Shock for All Industries	-\$4,662,391,949	-\$1,165,597,933
Personal Income Losses	-\$10,631,545,739	-\$2,657,886,435
Mitigation Investments	\$74,635,181	\$74,635,181
Total	-\$25,926,927,342	-\$6,425,755,395

Cost of Inaction

New Mexico has adopted ambitious long-term greenhouse gas reduction and clean energy goals that will require sustained investment across the state's economy, infrastructure systems, and energy sector. At the same time, many of the investments associated with this transition reflect infrastructure replacement, grid modernization, and long-term energy system investment that would occur over time regardless of climate policy. Electricity generation facilities, transmission systems, pipelines, industrial equipment, vehicles, and building systems all require ongoing reinvestment as technologies evolve and existing capital assets reach the end of their useful lives. The central economic question facing New Mexico is therefore not whether major energy system investments will occur, but how those investments can be directed in ways that support long-term economic development, maintain affordability and reliability, and reduce long-term environmental and infrastructure risks.

The transition toward a lower-carbon economy may also create opportunities for infrastructure investment, industrial development, technological innovation, and expanded federal and private-sector investment in New Mexico. Existing state and federal analyses estimate that reductions in greenhouse gas emissions may generate benefits through avoided climate-related damages, improved air quality, public health improvements, technological innovation, and expanded clean energy investment opportunities. New Mexico may also benefit from increased federal funding opportunities and private capital investment associated with transmission development, geothermal energy, energy storage, hydrogen, carbon management technologies, advanced manufacturing, and related emerging energy industries. Several of the measures evaluated in this report, particularly those associated with electricity generation, transmission, and geothermal development, are projected to generate positive long-run impacts on New Mexico GDP through infrastructure investment and related economic activity.

Climate-related risks may also impose costs on households, businesses, infrastructure, agriculture, and government over time. These risks include drought, wildfire, extreme heat, changing precipitation patterns, infrastructure stress, and increased electricity demand associated with rising temperatures and economic growth. Climate-related events may also affect energy reliability, insurance costs, water availability, agricultural productivity, and public infrastructure. Delays in infrastructure modernization or emissions mitigation may increase future adjustment costs and reduce long-term policy flexibility.

At the same time, the scale of the proposed transition is substantial. Achieving New Mexico's greenhouse gas reduction goals will require capital investment, regulatory change, technological deployment, and institutional adaptation across multiple sectors of the economy. While all the measures are expected to improve environmental outcomes, resilience, public health, or long-term risk reduction, projected economic impacts vary substantially across measures. In addition, New Mexico's transition strategy must recognize the important role that oil and natural gas production currently play in supporting state and local government revenues, employment, exports, and economic activity.

The economic effects of transition policies are therefore unlikely to be uniform across sectors or over time. Some measures primarily function as infrastructure investment and economic development initiatives, while others primarily serve emissions reduction, environmental, or risk mitigation objectives. Economic impact analysis and broader social benefit-cost analysis also measure different concepts. The economic impact analysis presented in this report evaluates changes in New Mexico's economic activity associated with implementation of CAP measures, while broader social benefit estimates developed in

related state and federal analyses attempt to estimate avoided environmental, climate, and public health damages associated with reduced emissions trajectories.

Considerable uncertainty remains regarding future technology costs, federal policy, electricity demand growth, commodity prices, industrial adoption pathways, and the pace of technological innovation. As a result, long-term outcomes will depend not only on policy design, but also on technological progress, infrastructure deployment, energy market conditions, and the ability of households, businesses, and institutions to adapt over time. A successful transition strategy will therefore require balancing multiple objectives simultaneously, including emissions reduction, affordability, reliability, fiscal sustainability, economic competitiveness, environmental stewardship, and broad access to economic opportunity.

Implementing environmental policy necessarily involves tradeoffs. The analysis presented in this report suggests that policy design, implementation timing, and transition planning may significantly affect the economic outcomes associated with New Mexico's transition strategy. The concluding sections of the report discuss several policy and implementation considerations, and recommended modifications that may reduce transition-related economic costs while maintaining progress toward the state's environmental objectives.

Social Cost of Carbon

This report incorporates Social Cost of Carbon (SCC) estimates to provide context regarding the potential long-term social benefits associated with reductions in greenhouse gas emissions under New Mexico's transition strategy. Specifically, this report utilizes SCC estimates reported in the New Mexico CAP,⁷ which applies a value of \$310 per metric ton of CO₂e based on EPA estimates and a 2% discount rate assumption.

SCC estimates attempt to quantify the present value of long-term damages associated with incremental greenhouse gas emissions. SCC estimates are intended to capture the broader social value of avoided greenhouse gas emissions, including avoided climate-related damages, public health effects, and other long-term impacts associated with climate change.⁸ Benefit estimates from CAP are shown in Table 1 to provide a broader perspective on the tradeoffs associated with implementation of CAP measures.

Federal SCC estimates have varied substantially over time due to differing assumptions regarding discount rates, geographic scope of damages, treatment of uncertainty, and

⁷ (New Mexico Environment Department & Energy, Minerals and Natural Resources Department, 2025)

⁸ (United States Environmental Protection Agency, 2023)

analytical time horizons (as shown in Figure 1). Federal SCC estimates introduced in 2010 used global damage estimates and moderate discount rates.⁹ Revisions adopted in 2017 substantially reduced SCC estimates by emphasizing domestic damages and higher discount rates.¹⁰ Revisions adopted in 2021 later increased SCC estimates by lowering the discount rate and extending the analytical time horizon, with EPA estimates reaching roughly \$190 per metric ton of CO₂e in 2023.¹¹ More recent federal policy proposals have also sought to limit or eliminate the use of SCC estimates in federal regulatory cost-benefit analysis.¹²

Figure 1. Historical Federal Social Cost of Carbon Estimates



The economic impact analysis presented in this report and SCC-based benefit estimates provide complementary perspectives on the potential effects of transition policies. The economic impact analysis evaluates projected changes in New Mexico economic activity, employment, labor income, and value added associated with implementation of transition measures. SCC estimates, by contrast, estimate the broader long-term social value associated with reductions in greenhouse gas emissions, including avoided climate-related damages, public health benefits, and other environmental outcomes occurring over extended time horizons.

⁹ (Interagency Working Group on Social Cost of Greenhouse Gases, United States Government, 2016)

¹⁰ (Executive Office of the President, 2017)

¹¹ (United States Environmental Protection Agency, 2023)

¹² (Executive Office of the President, 2025)

Together, these analytical frameworks provide a broader perspective on the potential tradeoffs associated with implementation of CAP measures. While the economic impact analysis focuses primarily on the projected economic effects of implementation within New Mexico, SCC estimates provide additional context regarding the potential long-term social and environmental benefits associated with emissions reductions.

Analysis of Measures

The CAP proposes a variety of measures that can be implemented to achieve greenhouse gas emission targets. Economic analysis was conducted for each of the measures included in CAP. Detailed methodology and analysis of individual measures are provided in the Appendix. Figures 2 and 3 summarize the estimated impacts on New Mexico GDP for the primary implementation measures and the alternative cap-and-invest program, illustrating the substantial variation in projected economic impacts across measures.

Figure 2. Estimated GDP Impacts, Implementation Measures

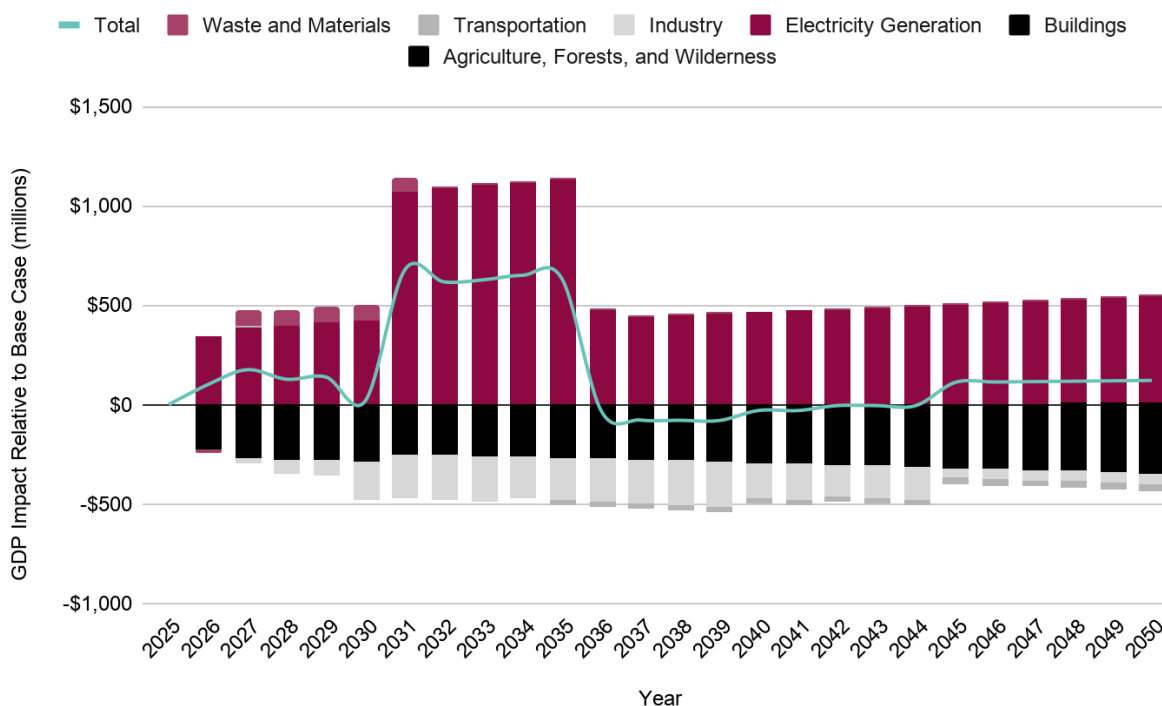


Figure 3. New Mexico GDP Impacts of EW-1: Cap-and-Invest Program, 2026-2050



Tribal and Rural Community Impacts

Tribal and rural communities are important stakeholders in New Mexico’s economy, energy future, land stewardship, and infrastructure planning. For this reason, CAP includes a broader discussion of equity, tribal consultation, and the impact on low-income families. The discussion in this study focuses more narrowly on several economic and implementation considerations that may disproportionately affect tribal and rural communities under the transition measures evaluated in this report.

A substantial share of tribal and rural communities in New Mexico overlap with communities identified in CAP as Low-Income and Disadvantaged Communities (LIDACs). Some of the measures outlined in CAP may therefore create distinct economic and affordability challenges for these communities, particularly where implementation costs are borne directly by households or private actors. These communities often experience lower median household incomes and higher poverty rates. Native American household incomes are 20% lower than the state average and poverty rates are 30.5% versus the state average of 16.4%.¹³

This affordability gap is particularly relevant for CAP measures in the commercial/residential buildings and transportation sectors that increase upfront housing or vehicle costs. For example, building measures requiring EV-readiness or chargers in new construction add

¹³(United States Census Bureau, ACS, 2026); (Department of Workforce Solutions, 2024); and (United States Census, Quick Facts: New Mexico, 2025).

significant costs for new homeowners. Transportation measures advancing zero-emission vehicle adoption impose additional private costs on vehicle owners. These requirements are harder to absorb in tribal and rural communities than in urban population centers like Albuquerque or Santa Fe, where incomes are higher, public transit options are more available, and travel and commute distances are shorter.

Rural and tribal residents drive longer distances and rely more heavily on personal vehicles due to limited transit infrastructure. New Mexico's vast geography results in the 4th highest per-capita vehicle miles traveled (VMT) measure in the United States.¹⁴ The state ranks 13th in the nation for the highest rates of pickup truck ownership (~23%), with heavy-duty and light trucks essential for farming, ranching, oil and gas operations, industrial activities, and off-road use prevalent in rural economies.¹⁵ Many of these applications lack cost-effective EV equivalents in the near term, reducing the practicality of EV mandates as proposed in CAP Transportation measures and potentially raising operational costs for landowners and rural businesses.

Finally, industry measures addressing oil and gas emissions could reduce business activity and jobs in southeast New Mexico's Permian Basin (primarily rural Lea and Eddy counties). These counties are heavily dependent on oil and gas for employment. CAP acknowledges potential disbenefits such as job transitions in LIDAC areas reliant on nearby oil and gas operations. Such impacts would be disproportionately felt in rural southeast New Mexico.

Some proposed measures may accelerate private costs and economic disruptions for tribal and rural communities. At the same time, several CAP measures are specifically designed to support tribal and rural communities through targeted grants, energy affordability programs, workforce initiatives, transmission and geothermal development, microgrids, distributed energy systems, and land restoration activities. Targeted subsidies, rural-specific grants, and phased implementation will be important to balance CAP's environmental objectives with affordability, reliability, and economic conditions in tribal and rural communities.

Permanent Fund Implications

New Mexico's permanent funds play a central role in supporting the state's long-term fiscal stability and financing public institutions. These funds are managed by the New Mexico State Investment Council (SIC). The two largest funds — the Land Grant Permanent Fund (LGPF) and the Severance Tax Permanent Fund (STPF) — receive substantial revenues

¹⁴ (Federal Highway Administration, 2026)

¹⁵ (Blackley, 2026)

directly or indirectly tied to oil and gas production, including royalties, lease payments, and severance taxes. Earnings and distributions from these funds support public education, higher education, healthcare, and other core government functions throughout the state.¹⁶

New Mexico's permanent funds have grown rapidly over the past five years due largely to strong oil and gas production and elevated energy prices. As of Q4 2025, the SIC-managed permanent and related funds totaled approximately \$68 billion, with the LGPF at ~\$37 billion and the STPF at ~\$12 billion.¹⁷ The LGPF has more than doubled since fiscal year 2019 (when it stood at roughly \$18 billion), while the STPF has more than doubled from approximately \$5.5 billion over the same period. In FY25, the funds distributed roughly \$2.6 billion statewide. State Land Office revenues and royalties transferred to the LGPF remained strong, exceeding \$2.3 billion in FY2024.¹⁸

New Mexico's Consensus Revenue Estimating Group (CREG) projects that by 2050, SIC's distributions will represent a third of New Mexico's general fund revenue, at which point SIC distributions would represent a larger share of state revenue's than Severance Taxes, Rents, Royalties currently do.

The analysis conducted in this report does not attempt to forecast total future oil and gas production levels in New Mexico. Rather, the modeling estimates the incremental reduction in activity associated with increased compliance and implementation costs under the policy scenarios evaluated. Activity reductions were estimated using supply elasticity assumptions applied to projected increases in operating and capital costs within the oil and gas sector. Under the modeled scenarios, total estimated reductions in oil and gas activity were 4.28%.

Because revenues flowing into the LGPF and STPF are closely tied to oil and gas production activity, modeled reductions in investment or production activity could affect future inflows into the permanent funds and the growth of fund balances. Holding other factors constant, a modeled reduction of 4.28% in oil and gas activity would imply a corresponding reduction in annual inflows into New Mexico's permanent funds. Based on recent royalty, lease, and severance-tax-related transfers and projections associated with oil and gas production, the reduction would be approximately \$200 million annually.¹⁹ This estimate reflects the potential effect on new annual revenues flowing into the permanent funds rather than changes in total fund balances, which are also affected by investment returns, financial market conditions, commodity prices, and future state fiscal policy

¹⁶ (New Mexico State Investment Council, 2025)

¹⁷ (New Mexico State Investment Council, 2025)

¹⁸ (New Mexico State Investment Council, 2025); (Iglesias, 2024); and (New Mexico State Land Office, 2025)

¹⁹ (New Mexico State Investment Council, 2025)

decisions. Although not directly related to permanent funds, oil and gas also contributes an estimated 35% to New Mexico gross receipts taxes, and 20% of personal income taxes, and a 4.28% decline in oil and gas would also indicate an additional \$85 million decline in state tax revenues annually.²⁰ Long-run fiscal outcomes will also depend on broader economic diversification, investment performance of the permanent funds, future energy market conditions, and the extent to which transition-related industries generate new economic activity and public revenues within New Mexico.

Recommended Modifications

A significant consideration in environmental policy implemented at the state or regional level is the potential for emissions leakage and shifts in economic activity across jurisdictions. If implementation costs associated with CAP measures materially affect relative competitiveness, some economic activity may shift toward jurisdictions operating under different regulatory and cost structures. In such cases, New Mexico could experience reductions in employment, investment, tax revenues, or economic activity, while emissions reductions may be partially offset if production shifts to jurisdictions with different emissions profiles. Table 4 provides a simplified illustration of how implementation design, revenue recycling, and cost-mitigation approaches may influence economic competitiveness, business retention, and environmental outcomes under different regulatory approaches.

Table 4. Effects of Various Environmental Regulatory Scenarios.

Scenario	Business Activity in New Mexico	Environmental Impact	Tax Revenue in New Mexico
Implementation approaches without offsetting revenue recycling and cost mitigation	↓	↑	↓
Implementation approaches incorporating revenue recycling and cost mitigation	↔	↓	↔

²⁰ (Faubion, 2024)

Specifically with regards to oil and gas, Texas wells in the Delaware sub-basin on the Permian basin emit nearly three times as much methane as New Mexico wells due to New Mexico methane rules.²¹ This means that any New Mexico environmental regulation that shifts production to Texas would increase GHG emissions. Similar circumstances exist in other industries, especially businesses that sell primarily to customers outside the state or region and that often have multiple options when making location decisions. Implementation costs, regulatory uncertainty, and competitiveness effects can influence investment behavior and economic activity, particularly in industries that compete across state or national boundaries.²²

To maximize the environmental benefit of CAP’s proposed measures, while minimizing the reduction in economic activity and business leakages to other states, the primary recommendations for modifications of measures included in CAP involve consideration of approaches that reduce adjustment costs, expand the use of incentive-based mechanisms where feasible, and increase opportunities for in-state supply chain participation associated with transition-related investments.

The analysis presented in this report suggests that implementation design, timing, and institutional coordination may significantly influence the economic outcomes associated with New Mexico’s transition strategy. While the measures evaluated differ substantially in their projected economic impacts, several broad implementation considerations emerge consistently across sectors and policy areas. In many cases, the economic impacts associated with implementation depend not only on the scale of investment, but also on the extent to which economic activity, infrastructure investment, supply-chain participation, and workforce adaptation occur within New Mexico. Table 5 summarizes several implementation considerations and illustrative policy approaches identified through the economic analysis in this report.

Table 5. Economic and Implementation Considerations

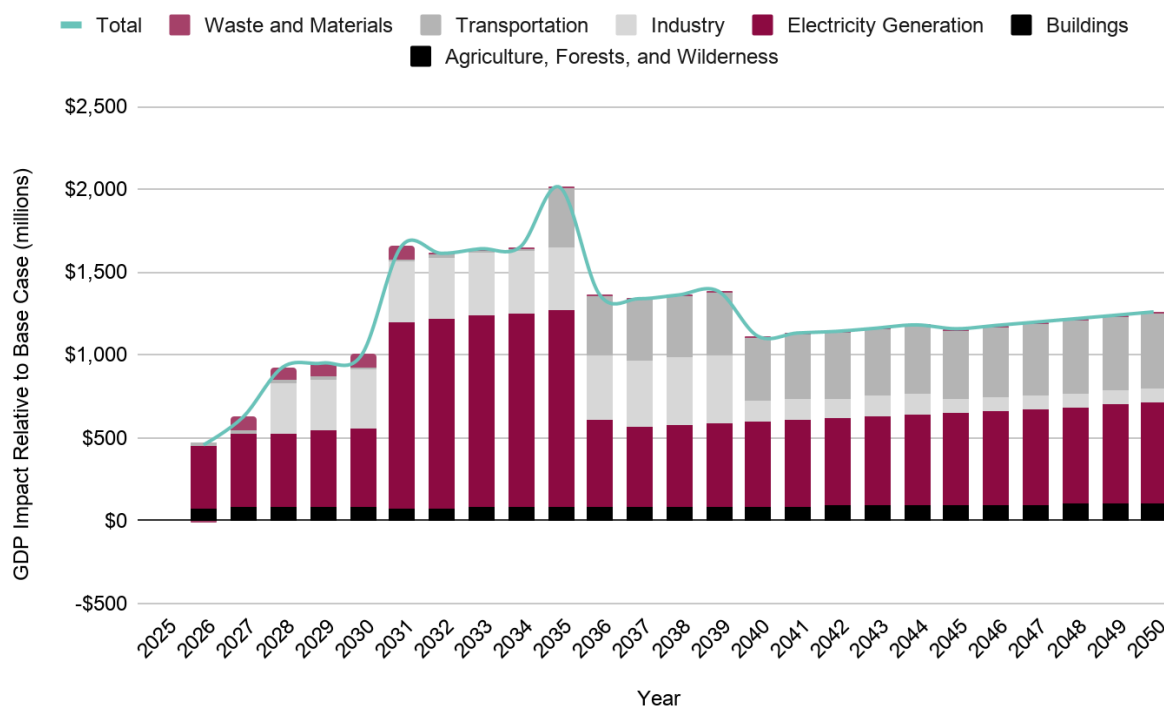
Economic Consideration	Illustrative Implementation Approaches
Several measures generate positive economic impacts primarily through infrastructure investment and related economic activity.	Prioritizing investments associated with transmission expansion, grid modernization, geothermal development, and related infrastructure may support both emissions reduction and long-term economic activity.

²¹ (Office of Governor Michelle Lujan Grisham, 2025)
²² (Greenstone et al., 2012); (Diriker et al., 2024); and (Ma & Xie, 2024)

A significant share of projected capital expenditures may be associated with imported equipment and out-of-state supply chains, reducing the share of transition-related economic activity retained within New Mexico.	Increasing in-state supplier participation and local manufacturing activity may improve retention of transition-related economic benefits within New Mexico. Potential approaches could include targeted incentives, procurement preferences, or workforce and supplier development initiatives associated with electrification, transmission, geothermal, wastewater, and related infrastructure investments where economically feasible.
Higher production costs associated with transition policies reduce the competitiveness of New Mexico oil and gas producers relative to producers in jurisdictions with different compliance costs, potentially shifting production outside the state.	Transition policies should consider competitiveness effects, production displacement risks, and emissions leakage associated with production shifts to jurisdictions with different regulatory structures and emissions profiles, which may reduce net emissions benefits. Consideration may also be given to implementation timelines, regulatory coordination, and other design features that reduce leakage risks while maintaining emissions reduction objectives.
The economic impacts associated with transition policies depend partly on how implementation costs are distributed across households, businesses, and industries.	Revenue recycling mechanisms, federal funding utilization, phased implementation, and policies that increase in-state economic retention may offset a portion of transition-related economic costs while maintaining emissions reduction objectives.
Some measures may increase costs for households, energy-intensive industries, and trade-exposed sectors.	Phased implementation schedules, regulatory predictability, and flexible compliance pathways may reduce transition-related adjustment pressures while maintaining progress toward long-term environmental objectives.
Federal funding materially affects the projected economic outcomes of several measures evaluated in this report.	Coordinating implementation strategies to maximize federal funding opportunities, tax incentives, and infrastructure programs may reduce the compliance costs borne by New Mexico households, businesses, utilities, and state government.
Future technology costs, electricity demand growth, commodity prices, and federal policy conditions remain uncertain.	Adaptive implementation strategies and periodic reassessment of major assumptions may improve long-term policy flexibility and reduce the risk of unintended economic outcomes.
New Mexico's transition strategy occurs within a state economy that remains highly dependent on oil and natural gas production.	Long-term transition planning may benefit from continued attention to fiscal sustainability, economic diversification, workforce adaptation, and the stability of state and local government revenues.

Measure-specific recommendations are included in the appendix with the economic analysis of each measure. Figure 4 shows the estimated impacts to New Mexico GDP for all primary implementation measures with recommended modifications. Tables 2 and 3, respectively, present the net present value of impacts to New Mexico GDP from all primary implementation measures and for the alternative cap-and-invest program with recommended modifications.

Figure 4. Estimated GDP Impacts, Modified Implementation Measures



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Appendix

Methodology

The analysis estimates the incremental economic effects of moving from the statutory baseline established by the Energy Transition Act (ETA) of 2019 to the broader policy framework defined by Executive Order 2019-003. The Climate Action Plan (CAP) provides the operational framework, identifying two implementation scenarios and the specific measures required to achieve the Executive Order's greenhouse gas (GHG) reduction targets.

Implementation costs were estimated for each measure and allocated by payer—state government, federal government, and private sector entities—allowing for a transparent assessment of how costs are distributed across stakeholders. Private payers are disaggregated into homeowners, landowners, commercial building owners, electric mobility providers, electric utilities, solid waste utilities, wastewater utilities, and oil and gas companies.

Measures were evaluated individually using the best available data, with all methods, assumptions, and data sources documented in the Appendix. Overlapping measures were consolidated to avoid double counting. This approach isolates the additional impact associated with new emissions reductions beyond current statutory requirements, providing a clear basis for evaluating the economic implications of the proposed policy pathway.

Implementation costs were used as a basis to estimate economic impacts. Economic impact analysis is an attempt to measure the net change in economic activity in a given geographic area that results from a change in economic activity. Often, the change in economic activity refers to new spending or employment associated with a new business or a business expansion. In this case, the impact is based on activity resulting from measures outlined in CAP. Economic impact analysis captures multiplier effects associated with additional rounds of spending generated within the local economy. For example, a construction worker is paid a wage, the worker then spends locally on groceries. The initial increase in the wage paid to the construction worker is the new spending; the revenue received by the grocery store is knock-on spending.

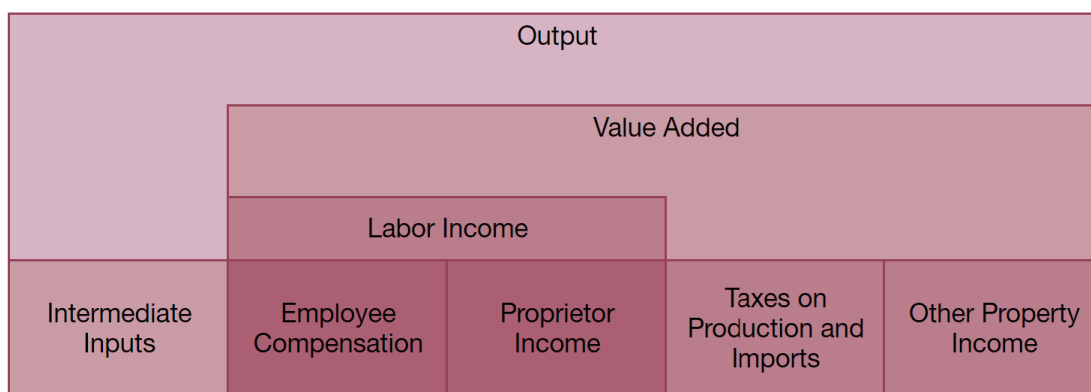
Economic impact estimates were calculated using IMPLAN MRIO analysis at the county level for county-specific impacts, such as Industry Measures primarily impacting Eddy and

Lea counties. Measures with a statewide focus were calculated for the State of New Mexico. Since New Mexico is the region of study for this analysis, state and local government spending is not included in the economic impact analysis, because it can be assumed regardless of how state and local government funds are spent, it is likely those funds will be spent in New Mexico, and therefore does not represent new spending in New Mexico's economy. Additionally, voluntary spending and shifts in spending among private citizens were not included, because they also don't represent new spending in the state. Mandatory measures that increased costs for private households in New Mexico were assumed to impact disposable incomes, and these situations were modeled as such.

IMPLAN has been a standard tool for academic and professional economists for decades. The methods used to produce IMPLAN's economic data set and economic impact estimates have been widely studied in professional publications and peer-reviewed academic journals. The methodology embedded in IMPLAN is considered standard practice in economics.²³

Economic impacts were measured in terms of changes in output, value-added, labor income, and employment. Figure A.1 shows the subcomponents of output and value-added production, also referred to as the Leontief Production Function. Output is the dollar value of total production generated by an industry and can be thought of as total revenue for a particular industry or industries. Intermediate inputs are goods and services used in production and purchased from other industries. Value-added production is the contribution from economic activity to GDP. The value of intermediate inputs plus value added equals total output. Business profits are included under proprietor income and other property income.

Figure A.1. Components of Economic Output²⁴



²³ (Clouse, 2020)

²⁴ (IMPLAN, 2019)

The economic impacts include the direct, indirect, and induced impacts for each of these variables. Employment refers to full- and part-time jobs. Dollar impacts are presented in nominal dollars, reflecting the dollar value of the year they occur, unless otherwise specified. Analysis was performed using IMPLAN's 2024 Model. Components may not sum to totals due to rounding.

Results are primarily presented in terms of impact to New Mexico GDP, which is equivalent to the Value Added measure produced by IMPLAN. The study period covers 2026-2050, and assumptions were made for the long-run growth trajectory of New Mexico's economy, and a discount rate for calculating net present values of implementation costs and economic impacts, shown in Table A.1.

Table A.1. Growth and Discount Rate Assumptions

Measure	Assumption	Source
New Mexico Long-run Real GDP Growth Rate	1.7%	UNM BBER & Moody's ²⁵
Discount Rate	2.0%	Current default Social Rate of Time Preference ²⁶

Inflation that increases costs and technology improvements that reduce costs, were not directly factored into our analysis, other than price inflation caused by specific measures. Time periods for spending for each measure was applied by category for each measure based on description provided in CAP.

Analysis was conducted on the following measure categories: Industry Measures (I); Transportation Measures (T); Agriculture, Forests, and Wilderness Measures (AFW); Electricity Generation Measures (E); Commercial and Residential Buildings Measures (B); Waste and Materials Management Measures (WM); and the Alternative Implementation Scenario (EW). Results from our analysis of the 45 primary implementation measures are presented separately from the alternative implementation scenario. Analysis was not conducted for the 12 Enabling Measures (EM) because significant changes to private costs or investments are not expected, nor are state budget estimates provided for those measures.

The following sections provide a summary of each measure from the CAP and describe our economic analysis and implementation cost estimation approach for each individual measure. Tables A.2 and A.3 summarize the undiscounted and discounted implementation costs of the primary implementation measures for each measure and payer category.

²⁵ (Clarke & Propst, 2025)

²⁶ (Office of Management and Budget, 2023)

Tables A.4 and A.5 summarize the undiscounted and discounted implementation costs of the alternative implementation measure by payer category.

Table A.2. Total Implementation Costs of Primary Implementation Measures Proposed in CAP

Measure Category	State	Private	Federal	Total
Industry	\$436,005,000	\$6,711,135,916	\$2,011,596,479	\$9,158,737,395
Transportation	-\$2,825,816,000	\$12,613,353,750	\$48,000,000	\$9,835,537,750
Agriculture, Forests, and Wilderness	\$147,122,000	\$132,254,000	\$194,250,000	\$473,626,000
Electricity Generation	\$1,680,552,000	\$28,669,515,320	\$1,865,450,000	\$32,215,517,320
Commercial and Residential Buildings	\$327,985,000	\$7,716,791,250	\$657,944,280	\$8,702,720,530
Waste and Materials Management	\$1,601,226,000	\$1,576,476,679	\$407,000,000	\$3,584,702,679
Total	\$1,367,074,000	\$57,419,526,915	\$5,184,240,759	\$63,970,841,674

Table A.3. Total Discounted Implementation Costs of Primary Measures Proposed in CAP

Measure Category	State	Private	Federal	Total
Industry	\$349,532,850	\$5,740,550,070	\$1,760,879,256	\$7,850,962,176
Transportation	-\$2,787,966,625	\$9,850,250,517	\$37,485,036	\$7,099,768,928
Agriculture, Forests, and Wilderness	\$122,477,878	\$103,282,208	\$151,697,257	\$377,457,343
Electricity Generation	\$1,485,986,043	\$23,322,765,383	\$1,759,204,067	\$26,567,955,493
Commercial and Residential Buildings	\$271,216,342	\$6,067,861,304	\$515,573,664	\$6,854,651,310
Waste and Materials Management	\$1,223,310,784	\$1,235,044,497	\$323,613,269	\$2,781,968,550
Total	\$664,557,272	\$46,319,753,979	\$4,548,452,549	\$51,532,763,800

Table A.4. Implementation Costs Estimates for Alternative Scenario–Cap and Invest

Measure Category	State	Private	Federal	Total
EW-1 Cap-and-Invest Program	-\$6,970,538,554	\$66,908,341,353	\$0	\$59,937,802,799
Total	-\$6,970,538,554	\$66,908,341,353	\$0	\$59,937,802,799

**Table A.5. Implementation Discounted Costs Estimates for Alternative
Scenario–Cap and Invest**

Measure Category	State	Private	Federal	Total
EW-1 Cap-and-Invest Program	-\$5,942,317,503	\$54,859,109,833	\$0	\$48,916,792,330
Total	-\$5,942,317,503	\$54,859,109,833	\$0	\$48,916,792,330

Industry Measures (I)

Industry measures primarily focus on emissions-reducing modifications in the oil and gas industry. These modifications often necessitate investment in electric utility infrastructure improvements and the associated costs are incorporated into the analysis. While federal subsidies are available for many of the proposed policies, federal support has recently declined due to the elimination or expiration of key programs. The estimated implementation costs are shown in Table I.1. The majority of these implementation costs are expected to be borne by private industry, specifically oil and gas companies and electric utilities. Activity reductions due the additional costs were modeled based on supply elasticity estimates for U.S. oil and gas production. Figure I.1 presents the estimated impact of these policies on New Mexico GDP. Figure I.2 shows the impact these measures are estimated to have on New Mexico GDP with recommended modifications.

Table I.1. Estimated Implementation Costs of Industry Measures, 2026-2050

Measure	State	Private	Federal	Total
I-1: Transition Oil and Gas Equipment to Electric Infrastructure	\$869,000	\$4,511,910,000	\$1,053,790,000	\$5,566,569,000
I-2: Carbon Capture and Sequestration—Combustion	\$3,258,000	\$1,758,328,560	\$439,582,140	\$2,201,168,700
I-3: Carbon Capture and Sequestration—Acid Gas Removal Units	\$3,258,000	\$377,411,916	\$94,352,979	\$475,022,895
I-4: Increased Monitoring and Methane Plume Investigation	\$47,718,000	\$0	\$0	\$47,718,000
I-5: Building on Success of Ozone Precursor Rule	\$977,000	\$63,485,440	\$15,871,360	\$80,333,800
I-6: Plug Inactive Wells	\$116,553,000	\$0	\$408,000,000	\$524,553,000
I-7: Compliance Implementation	\$263,372,000	\$0	\$0	\$263,372,000
Total	\$436,005,000	\$6,711,135,916	\$2,011,596,479	\$9,158,737,395

Figure I.1. Estimated New Mexico GDP Impact, Industry Measures, 2026-2050

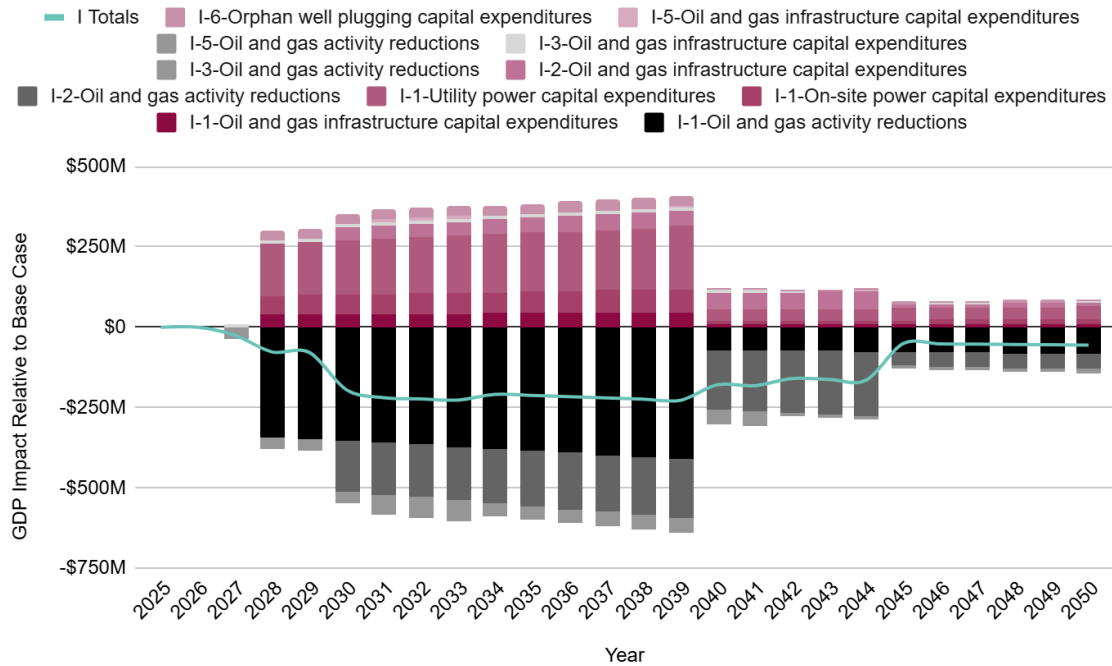
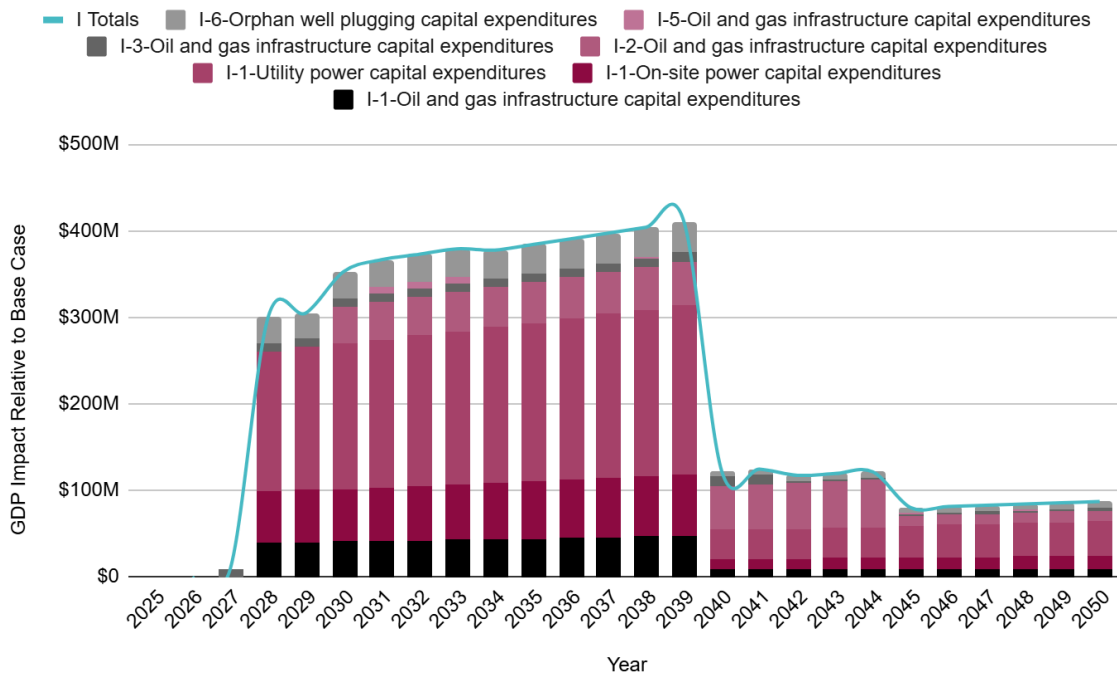


Figure I.2. Estimated New Mexico GDP Impact, Modified Industry Measures, 2026-2050



The subsections below present a summary and the economic analysis of each industry measure.

I-1: Transition Oil and Gas Equipment to Electric Infrastructure

Measure Summary

This measure reduces combustion CO₂ emissions, the largest source of CO₂ emissions in the oil and gas industry in New Mexico, by electrifying fuel combustion infrastructure. Electricity could be provided by the grid or from on-site generation through renewable or zero-emission methods. The measure aims to replace 50% of natural gas-powered engines and turbines, primarily compressor drivers, with electric equipment in the production, gathering and boosting, natural gas processing, and transmission industry segments. While industry has started this transition, emphasizing the continued replacement of compressor drivers and other combustion equipment can significantly lower emissions.

Economic Analysis

This measure proposes a phased transition with upfront investments from the private sector that can provide operational savings over the long term. The measure primarily affects activities in Eddy County and Lea County where the bulk of New Mexico's oil and gas operations occur.

Based on the New Mexico Oil and Gas Greenhouse Gas Emissions Inventory for Year 2020, the number of compressors in New Mexico oil and gas infrastructure were inferred to be 32,345.²⁷ The cost of compressors has a significantly large range. However, since the bulk of compressors are for production which are lower cost, conversion to electric compressors are assumed to cost \$100,000 per compressor.²⁸ The measure targets 50% transition implying 16,217 compressors would need to be transitioned, which would require a capital investment of \$1,621,700,000. Assuming 406 MT CO₂ emissions per year per compressor, this measure's target emissions reduction would be met with an average installed duration of 22 years.

Upfront costs of this capital investment for new oil and gas infrastructure would be borne by private industry. Several federal programs that previously provided reimbursement for significant portions (up to 90%) of the capital costs have expired.²⁹ We assume that the federal programs that remain in effect continue to provide a subsidy of 20% of capital

²⁷ (New Mexico Environment Department & Colorado State University, Center for the New Energy Economy, 2022)

²⁸ (Thunder Said Energy, 2026)

²⁹ (Gibbons, 2025)

costs. While the transition to electric compressors provides long-term operational savings, subsidy and incentive programs appear to be necessary to make the investments viable.³⁰

Table I.1.1. Implementation Cost Estimates for I-1

Payer	Implementation Costs
State	\$869,000
Federal	\$1,053,790,000
Private	\$4,511,910,000
Oil and gas companies Infrastructure	\$1,297,360,000
Oil and gas companies On-site power	\$1,702,050,000
Electric Utilities	\$1,512,500,000
Total	\$5,566,569,000

Significant capital investments would also be required for power infrastructure. CAP estimates 50% of electricity to power new equipment will come from the grid, and the other 50% provided by on-site solar energy generation and battery storage. Cusworth (2026) identifies 1,100 midstream compressor stations that are typically larger. The midstream stations would generally require their own substation if electrified. Assuming 550 midstream stations (50%) were transitioned to electricity, at an estimated modification cost of \$2,750,000 per station, would require a utility investment of \$1,512,500,000.³¹ This large utility investment may impact utility rates for local customers as new infrastructure is typically more expensive than old infrastructure, although this was not explicitly quantified in our analysis. For the 50% expected to use on-site solar energy generation and battery storage, we assume most will be production compressors grouped together (5 per site), so 1,621 on-site power installations would be necessary to meet this measure objectives, at an estimated average install cost of solar power generation and battery storage of \$1,500,000 per site, total capital investment would be \$2,431,500,000. It is assumed that federal incentives will cover 30% of these costs.

To estimate the economic impact of implementing I-1, we considered the additional private and federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table I.1.2. Federal spending incurred by activity also represents a positive economic impact to New Mexico, as the federal funding is coming from outside of the state, and this was incorporated in our capital expenditure estimates.

³⁰ (ICF, 2024)

³¹ (ICF, 2024)

We assumed the components being installed would be sourced out of state, and using EPA's estimates of installation costs equalling 50% of equipment costs, this places the local purchase percentage for these upgrades at 33%.³² Electric utilities upgrades were assumed to have a 100% local purchase percentage.

The required private investments for oil and gas companies do represent an increase to their cost structure, and reduction of activity of some level would be expected. Federally supported expenditures were not factored into these increased costs, as they are not borne by the private companies. Sarkar (2023) found that increased regulatory costs were mostly absorbed by oil and gas companies, in the case of methane regulations, long-run activity declined 1%, while industry profits declined 25-32%.³³

To estimate the impact of Measure I-1's required investment we related the expected annual costs to be borne by oil and gas companies (\$249,950,833), assuming even distribution over 12 years, to the total expected annual capital investment in oil and gas infrastructure (\$14,500,000,000)³⁴, representing a 1.7% increase in annual costs. Storrøsten (2024) found 1% higher oil price leads to a rise in rig activity by up to 1.5%, which would imply a 1.7% increase in cost would lead to 2.6% reduction in activity, also shown in Table I.1.2.³⁵

Table I.1.2. IMPLAN Inputs for I-1

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Oil and gas infrastructure capital expenditures ³⁶	\$535,161,000	\$44,596,750	20-Oil and gas extraction	2028-2039
On-site power capital expenditures ³⁷	\$802,395,000	\$66,866,250	20-Oil and gas extraction	2028-2039
Utility power capital expenditures	\$2,160,714,286	\$180,059,524	47-Construction of new power and communication structures	2028-2039
Oil and gas activity reductions	-\$4,524,000,000	-\$377,000,000	30-Drilling oil and gas wells	2028-2039

³² (U.S. Environmental Protection Agency, 2023)

³³ (Sarkar, 2023)

³⁴ (ICF, 2019)

³⁵ (Storrøsten, 2024)

³⁶ 33% Local Purchase Percentage applied.

³⁷ 33% Local Purchase Percentage applied.

Recommended Modifications

To limit the business activity reductions expected from this measure, we recommend a business-cost neutral measure design, which could take many forms, one of which would be an emissions tax on the specific activity paired with a tax credit for investments required to reduce emissions. A design like this would lower tax revenues while investments are made; however, the tax revenue would return to normal after investments are made, at which point emissions would be reduced as intended. Businesses would be incentivized to make these investments to avoid the new emissions tax but compliance would be cost-neutral since the investments are a tax credit (as opposed to a tax deduction). As a result, long-run tax revenue would be higher since business activity reductions are avoided, and emissions reductions would be achieved as intended. IMPLAN Inputs for the recommended modifications are shown in Table I.1.3.

Table I.1.3. IMPLAN Inputs for Modified I-1

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Oil and gas infrastructure capital expenditures ³⁸	\$535,161,000	\$44,596,750	20-Oil and gas extraction	2028-2039
On-site power capital expenditures ³⁹	\$802,395,000	\$66,866,250	20-Oil and gas extraction	2028-2039
Utility power capital expenditures	\$2,160,714,286	\$180,059,524	47-Construction of new power and communication structures	2028-2039

I-2: Carbon Capture and Sequestration—Combustion

Measure Summary

This measure reduces combustion CO₂ emissions, the largest source of CO₂ emissions in the oil and gas industry in New Mexico, through carbon capture and sequestration (CCS). The measure supports both installing carbon capture equipment and injecting the captured CO₂ for sequestration, with emphasis on controlling combustion CO₂ emissions

³⁸ 33% Local Purchase Percentage applied.

³⁹ 33% Local Purchase Percentage applied.

from the production, gathering and boosting, natural gas processing, and transmission industry segments.

Economic Analysis

This measure proposes a phased transition with upfront investments from the private sector that can provide long-term operational benefits, such as enhanced oil recovery (EOR) revenue and compliance with emissions rules. The measure primarily affects activities in Eddy and Lea counties, where the bulk of New Mexico’s oil and gas operations occur.

For this analysis we assume Measure I-1 is implemented and this measure will be applied to the remaining 16,173 unelectrified compressors.⁴⁰ The measure targets a 45% reduction (assuming 90% capture efficiency on equipped units). CCS costs can vary significantly; however, we assumed a midpoint average of \$906/kW to account for this, and assuming an average compressor size of 200hp or 150kW, a \$135,900 cost per unit was estimated to install CCS on unelectrified compressors.⁴¹ Total capital costs are estimated to be \$2,197,910,700.

Upfront costs of this capital investment for oil and gas infrastructure would be borne by private industry. It is assumed 20% of capital costs can be covered by federal programs. Subsidy and incentive programs appear necessary to make the investments viable, specifically the 45Q Tax Credit.⁴²

No additional power infrastructure is required beyond standard operations, but sequestration sites (e.g., Class VI for CCS, Class II for EOR / Acid gas injection) must be developed with state oversight. Some exist already with EPA oversight.

Table I.2.1. Implementation Cost Estimates for I-2

Payer	Implementation Costs
State	\$3,258,000
Federal	\$439,582,140
Private	\$1,758,328,560
Oil and gas companies Infrastructure	\$1,758,328,560
Total	\$2,201,168,700

⁴⁰ (New Mexico Environment Department & Colorado State University, Center for the New Energy Economy, 2022)

⁴¹ (Hackett et al., 2024)

⁴² (Cameron et al., 2023); (Carbon Capture Coalition, 2025)

To estimate the economic impact of implementing Measure I-2, we considered the additional private and federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table I.2.2. As with I-1, we assumed the components being installed would be sourced out of state, and using EPA’s estimates of installation costs equalling 50% of equipment costs, this places the local purchase percentage for these upgrades at 33%.⁴³ The required private investments for oil and gas companies represent an increase to their cost structure, and reduction of activity of some level would be expected.

To estimate the impact of Measure I-2’s required investment, we compared the expected annual costs to be borne by oil and gas companies (\$117,221,904), assuming even distribution over 15 years, to the total expected annual capital investment in oil and gas infrastructure (\$14,500,000,000).⁴⁴ This implies a 0.81% increase in annual costs. Storrøsten (2024) found 1% higher oil price leads to a rise in rig activity by up to 1.5%⁴⁵, which would imply a 0.81% increase in cost would lead to approximately 1.2% reduction in activity, also shown in Table I.2.2.

Table I.2.2. IMPLAN Inputs for I-2

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Oil and gas infrastructure capital expenditures ⁴⁶	\$725,310,531	\$48,354,035	20-Oil and gas extraction	2030-2044
Oil and gas activity reductions	-\$3,654,000,000	-\$174,000,000	30-Drilling oil and gas wells	2030-2044

Recommended Modifications

To limit the business activity reductions expected from this measure, we recommend a business-cost neutral measure design, which could take many forms, one of which would be an emissions tax on the specific activity paired with a tax credit for investments required to reduce emissions. A design like this would lower tax revenues while investments are made, however the tax revenue would return to normal after investments are made, at which point emissions would be reduced as intended. Businesses would be incentivized to make these investments to avoid the new emissions tax but compliance would be cost-neutral since the investments are a tax credit (as opposed to a tax deduction). As a

⁴³ (U.S. Environmental Protection Agency, 2023)

⁴⁴ (ICF, 2019)

⁴⁵ (Storrøsten, 2024)

⁴⁶ 33% Local Purchase Percentage applied.

result, long-run tax revenue would be higher since business activity reductions are avoided, and emissions reductions would be achieved as intended. IMPLAN Inputs for the recommended modifications are shown in Table I.2.3.

Table I.2.3. IMPLAN Inputs for Modified I-2

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Oil and gas infrastructure capital expenditures ⁴⁷	\$725,310,531	\$48,354,035	20-Oil and gas extraction	2030-2044

I-3: Carbon Capture and Sequestration—Acid Gas Removal Units

Measure Summary

This measure reduces CO₂ emissions from acid gas removal units (AGRUs) in the oil and gas industry using carbon capture and sequestration. This measure differs from Measure I-2 in that AGRUs already produce concentrated CO₂ streams that are currently vented into the atmosphere. This measure would inject and sequester those streams. Because of these features, AGRUs represent a potentially simplified option for CO₂ sequestration, which this measure reflects.

Economic Analysis

This measure proposes a phased transition with upfront investments from the private sector to comply with emissions rules. The measure primarily affects activities in Eddy County and Lea County, where the bulk of New Mexico’s oil and gas operations occur.

Based on the New Mexico Oil and Gas Greenhouse Gas Emissions Inventory for Year 2020 which estimated 1 AGRU per natural gas processing plant for a total of 33 in New Mexico, retrofit costs were estimated to be \$14,295,906 per AGRU, for a total cost of \$471,764,895.⁴⁸

Upfront costs of this capital investment for oil and gas infrastructure would be borne by private industry. It is assumed 20% of capital costs can be covered by federal programs. Additional subsidy and incentive programs appear to be necessary to make investments like this viable.⁴⁹ No additional power infrastructure is required beyond standard operations, but sequestration sites (e.g., Class II wells, for which NM has primacy) must be

⁴⁷ 33% Local Purchase Percentage applied.

⁴⁸ (Schmitt & Homsy, 2023)

⁴⁹ (Moniz et al., 2025)

developed, with state oversight via Oil Conservation Division, and federal oversight for the 45Q tax credits.

Table I.3.1. Implementation Cost Estimates for I-3

Payer	Implementation Costs
State	\$3,258,000
Federal	\$94,352,979
Private	\$377,411,916
Oil and gas companies Infrastructure	\$377,411,916
Total	\$475,022,895

To estimate the economic impact of implementing Measure I-3, we considered the additional private and federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table I.3.2. We assumed the components being installed would be sourced out of state, and using EPA's estimates of installation costs equalling 50% of equipment costs, this places the local purchase percentage for these upgrades at 33%.⁵⁰ The required private investments for oil and gas companies do represent an increase to their cost structure, and reduction of activity of some level would be expected. Federally supported expenditures were not factored into these increased costs, as they are not borne by the private companies.

Additionally, the captured CO₂ from AGRUs can be used for enhanced oil recovery (EOR) in the Permian Basin, generating additional revenue that can offset part of the implementation costs. Using standard Permian EOR metrics (approximately 1.5 barrels incremental oil per tonne of CO₂ injected), this measure has potential for positive economic benefits from incremental oil production, although these benefits were not quantified in this analysis due to uncertainty in the proportion of CO₂ directed to EOR. To estimate the impact of Measure I-3's required investment we related the expected annual costs to be borne by oil and gas companies (\$25,160,794), assuming even distribution over 15 years, to the total expected annual capital investment in oil and gas infrastructure (\$14,500,000,000)⁵¹, representing a 0.17% increase in annual costs. Storrøsten (2024) found 1% higher oil price leads to a rise in rig activity by up to 1.5%⁵², which would imply a 0.17% increase in cost would lead to approximately 0.26% reduction in activity, also shown in Table I.3.2.

⁵⁰ (U.S. Environmental Protection Agency, 2023)

⁵¹ (ICF, 2019)

⁵² (Storrøsten, 2024)

Table I.3.2. IMPLAN Inputs for I-3

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Oil and gas infrastructure capital expenditures ⁵³	\$155,682,415	\$10,378,828	20-Oil and gas extraction	2027-2041
Oil and gas activity reductions	-\$904,800,000	-\$37,700,000	30-Drilling oil and gas wells	2027-2041

Recommended Modifications

To limit the business activity reductions expected from this measure, we recommend a business-cost neutral measure design, which could take many forms, one of which would be an emissions tax on the specific activity paired with a tax credit for investments required to reduce emissions. A design like this would lower tax revenues while investments are made, however the tax revenue would return to normal after investments are made, at which point emissions would be reduced as intended. Businesses would be incentivized to make these investments to avoid the new emissions tax but compliance would be cost-neutral since the investments are a tax credit (as opposed to a tax deduction). As a result, long-run tax revenue would be higher since business activity reductions are avoided, and emissions reductions would be achieved as intended.

Table I.3.3. IMPLAN Inputs for Modified I-3

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Oil and gas infrastructure capital expenditures ⁵⁴	\$155,682,415	\$10,378,828	20-Oil and gas extraction	2027-2041

I-4: Increased Monitoring and Methane Plume Investigation

Measure Summary

This measure establishes a comprehensive program to monitor for and investigate sources of CH₄ plumes in the oil and gas industry. The program involves monthly airplane flyovers to identify CH₄ releases, ensuring all sources are monitored repeatedly over time. This program also expands current efforts to investigate the CH₄ releases and notify companies to fix the cause of the releases.

⁵³ 33% Local Purchase Percentage applied.

⁵⁴ 33% Local Purchase Percentage applied.

Economic Analysis

This measure requires state funding for a monitoring program and doesn't appear to require additional investment or spending from private industry or federal sources. For this reason, no economic impact was estimated for this measure.

Table I.4.1. Implementation Cost Estimates for I-4

Payer	Implementation Costs
State	\$47,718,000
Federal	\$0
Private	\$0
Total	\$47,718,000

I-5: Building on Success of Ozone Precursor Rule

Measure Summary

This measure formalizes the NMED's ability to reduce CH₄ emissions from the oil and gas industry by implementing a super-emitter monitoring program to identify and respond to large methane leaks, while imposing additional requirements for pneumatic controllers. NMED participation in a super-emitter monitoring program increases investigation of CH₄ releases reported by third parties, with a goal of reducing the number of annual CH₄ super-emitter events occurring in New Mexico over time. New equipment regulations will aim to eliminate all CH₄ emissions from pneumatic controllers by requiring replacement of existing pneumatic equipment.

Economic Analysis

This measure proposes a phased transition with upfront investments from the private sector for pneumatic controller replacements and from the state for monitoring, which will provide long-term benefits like reduced emissions waste and compliance. The measure primarily affects activities in Eddy County and Lea County, where the bulk of New Mexico's oil and gas operations occur.

The U.S. GHG Inventory estimates 0.8 controllers per well in the Permian, implying there are 39,678 pneumatic controllers in New Mexico based on New Mexico Oil and Gas

Greenhouse Gas Emissions Inventory well figures.⁵⁵ To replace these devices has an estimated cost of \$2,000/device, for an estimated total cost of \$79,356,800.⁵⁶

Upfront costs are private for replacements, but some federal programs apply with assumed 20% coverage. These upgrades have favorable cost savings and are economically viable upgrades.⁵⁷

Table I.5.1. Implementation Cost Estimates for I-5

Payer	Implementation Costs
State	\$977,000
Federal	\$15,871,360
Private	\$63,485,440
Oil and gas companies Infrastructure	\$63,485,440
Total	\$80,333,800

To estimate the economic impact of implementing Measure I-5, we considered the additional private and federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table I.5.2. We assumed the components being installed would be sourced out of state, and using EPA's estimates of installation costs equalling 50% of equipment costs, this places the local purchase percentage for these upgrades at 33%.⁵⁸

The required private investments for oil and gas companies do represent an increase to their cost structure, and reduction of activity of some level would be expected. Federally supported expenditures were not factored into these increased costs, as they are not borne by the private companies.

To estimate the impact of Measure I-5's required investment we related the expected annual costs to be borne by oil and gas companies (\$21,161,813), assuming even distribution over 3 years, to the total expected annual capital investment in oil and gas infrastructure (\$14,500,000,000)⁵⁹, representing a 0.15% increase in annual costs. Storøsten (2024) found 1% higher oil price leads to a rise in rig activity by up to 1.5%⁶⁰,

⁵⁵(United State Environmental Protection Agency, 2024); (New Mexico Environment Department & Colorado State University, Center for the New Energy Economy, 2022)

⁵⁶ (Venugopal & Saunier, 2021)

⁵⁷ (United States Environmental Protection Agency, 2006)

⁵⁸ (U.S. Environmental Protection Agency, 2023)

⁵⁹ (ICF, 2019)

⁶⁰ (Storøsten, 2024)

which would imply a 0.15% increase in cost would lead to approximately 0.22% reduction in activity, also shown in Table I.5.2.

Table I.5.2. IMPLAN Inputs for I-5

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Oil and gas infrastructure capital expenditures ⁶¹	\$26,187,744	\$8,729,248	20-Oil and gas extraction	2031-2033
Oil and gas activity reductions	-\$95,700,000	-\$31,900,000	30-Drilling oil and gas wells	2031-2033

Recommended Modifications

To limit the business activity reductions expected from this measure, we recommend a business-cost neutral measure design, which could take many forms, one of which would be an emissions tax on the specific activity paired with a tax credit for investments required to reduce emissions. A design like this would lower tax revenues while investments are made, however the tax revenue would return to normal after investments are made, at which point emissions would be reduced as intended. Businesses would be incentivized to make these investments to avoid the new emissions tax but compliance would be cost-neutral since the investments are a tax credit (as opposed to a tax deduction). As a result, long-run tax revenue would be higher since business activity reductions are avoided, and emissions reductions would be achieved as intended.

Table I.5.3. IMPLAN Inputs for Modified I-5

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Oil and gas infrastructure capital expenditures ⁶²	\$26,187,744	\$8,729,248	20-Oil and gas extraction	2031-2033

I-6: Plug Inactive Wells

Measure Summary

This measure expands current efforts to plug inactive oil and gas wells across New Mexico. The measure supports identifying and locating wells considered to be orphaned

⁶¹ 33% Local Purchase Percentage applied.

⁶² 33% Local Purchase Percentage applied.

and plugging them to eliminate emissions. All orphaned wells in New Mexico will be plugged under this measure.

Economic Analysis

This measure proposes a phased program with investments from state and federal sources for plugging, providing long-term benefits like reduced emissions waste and land restoration. The measure primarily affects activities in Eddy and Lea counties, where the bulk of New Mexico’s oil and gas operations occur, and San Juan County with many older wells.

Table I.6.1. Implementation Cost Estimates for I-6

Payer	Implementation Costs
State	\$116,553,000
Federal	\$408,000,000
Private	\$0
Total	\$524,553,000

There are an estimated 1,700 orphaned wells that cost an average of \$300,000 per well to plug and remediate.⁶³ To plug all orphaned wells has an estimated cost of \$510,000,000. Active federal programs can cover large portions of the cost to plug and remediate orphan wells, in some cases up to 100%, but we assumed a more conservative 80% federal coverage.⁶⁴ An additional \$14,553,000 is estimated for EMNRD employment to implement and administer the program. Private companies do contribute to New Mexico’s Oil and Gas Reclamation Fund; however, no changes in contributions to that fund are expected to occur from the measure so no additional private costs were added.⁶⁵

To estimate the economic impact of implementing I-6, we considered the new federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table I.6.2. Federal spending incurred by activity also represents a positive economic impact to New Mexico, as the federal funding is coming from outside of the state, and this was incorporated in our capital expenditure estimates. The plugging of inactive and orphaned wells generates positive local economic activity through construction, remediation, and site restoration work.

⁶³ (New Mexico Legislative Finance Committee, 2025)

⁶⁴ (U.S. Department of the Interior, 2025)

⁶⁵ (New Mexico Oil & Gas Association, 2024)

Table I.6.2. IMPLAN Inputs for I-6

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Orphan well plugging capital expenditures	\$408,000,000	\$34,000,000	31-Support activities for oil and gas operations	2028-2039

I-7: Compliance Implementation

Measure Summary

This measure increases New Mexico's capability to ensure compliance with and enforce upon existing and future regulations for the oil and gas industry. The measure improves compliance and enforcement efforts by increasing staffing, allowing for additional compliance activities (e.g., inspections, targeting efforts, review of compliance documentation) and follow-through with related enforcement actions.

Economic Analysis

This measure details estimates for staffing requirements to implement compliance efforts over the 2026-2050 period. These costs are expected to be borne by the state. Since this measure is not expected to require any federal or private expenditures, no economic impact was estimated for this measure.

Table I.7.1. Implementation Cost Estimates for I-7

Payer	Implementation Costs
State	\$263,372,000
Federal	\$0
Private	\$0
Total	\$263,372,000

Transportation Measures (T)

The proposed transportation measures address several transportation areas: public transportation, electric mobility device access, state employee remote work, electric vehicles, and electric vehicle infrastructure. Estimated costs of proposed transportation measures are presented in Table T.1. Figure T.1 shows the impact these measures are estimated to have on New Mexico GDP. Figure T.2 shows the impact these measures are estimated to have on New Mexico GDP with recommended modifications.

Table T.1. Estimated Implementation Costs of Transportation Measures, 2026-2050

Measure	State	Private	Federal	Total
T-1: Expand and Improve Public Transit	\$20,146,000	\$0	\$48,000,000	\$68,146,000
T-2: Expand and Improve Access and Safety for Active Transportation	\$536,446,000	\$412,500,000	\$0	\$948,946,000
T-3: Support Transit-Oriented Development by Reassessing Land Use	\$13,586,000	\$0	\$0	\$13,586,000
T-4: Reduce State Employee Vehicle Miles Traveled	-\$4,885,244,000	-\$1,850,000,000	\$0	-\$6,735,244,000
T-5: Expand Zero Emission Vehicle (ZEV) Infrastructure and Equipment	\$1,489,250,000	\$14,050,853,750	\$0	\$15,540,103,750
Total	-\$2,825,816,000	\$12,613,353,750	\$48,000,000	\$9,835,537,750

Figure T.1. Estimated New Mexico GDP Impact, Transportation Measures, 2026-2050

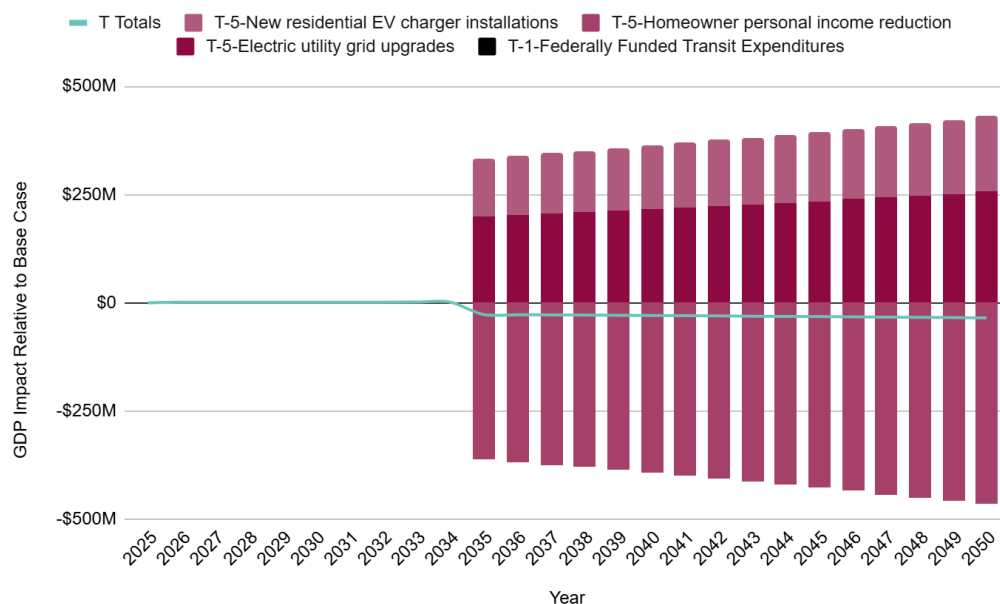
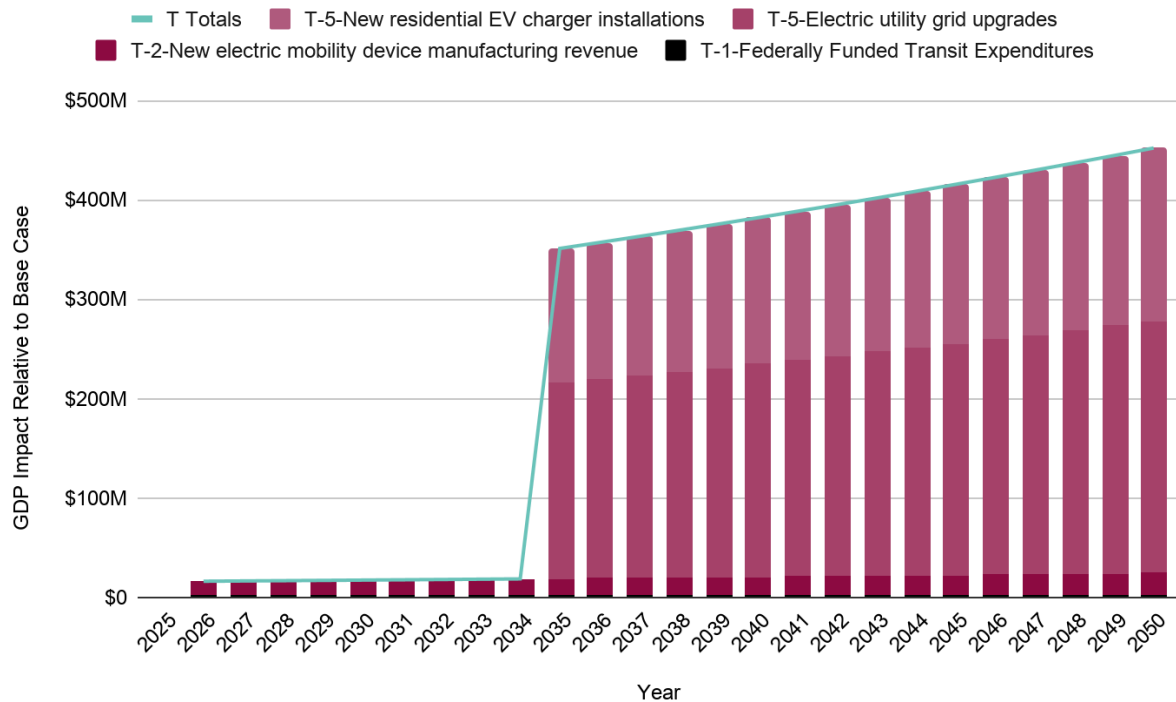


Figure T.2. Estimated New Mexico GDP Impact, Modified Transportation Measures, 2026-2050



The subsections below present a summary and the economic analysis of each transportation measure.

T-1: Expand and Improve Public Transit

Measure Summary

This measure lowers VMT by funding public transportation infrastructure, with a preference for zero-emission technology, and funding expanded transit service while improving safety, accessibility, efficiency, and resiliency. By developing intercity and rural transit methods, the implementing agency will provide access to public transit for more residents and provide opportunities for further travel than previously possible. This measure also seeks to expand the frequency of service of the New Mexico Rail Runner Express commuter rail line.

Economic Analysis

This measure proposes a phased transition with upfront investments from the state for planning and operations, providing long-term benefits like reduced VMT, health

improvements, and economic growth from transit jobs. The measure affects statewide areas, with focus on low-income and disadvantaged communities (LIDACs) for equity.

Details are not provided for specific capital investments. Based on the measure’s objectives, investments would be required for new zero emission buses, and for upgrades to the rail runner. Costs of the investments proposed under this measure can likely be shared with federal funding sources such as FTA 5307/5311 Grants.⁶⁶ NMDOT typically receives 80% federal coverage for investments, and 50% federal coverage for operations.⁶⁷ Assuming 100 new buses will be replaced with electric buses with an incrementally higher cost of \$600,000 each⁶⁸, the total required additional investment to meet the objectives of this measure is \$60,000,000. Federal coverage is assumed to be 80%. Estimates were not made for Rail Runner upgrades, or for changes to vehicle ownership as a result of the measure’s targets for public transportation ridership.

Table T.1.1. Implementation Cost Estimates for T-1

Payer	Implementation Costs
State	\$20,146,000
Federal	\$48,000,000
Private	\$0
Total	\$68,146,000

To estimate the economic impact of implementing T-1, we considered the federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table T.1.2. Federal spending incurred by activity also represents a positive economic impact to New Mexico, as the federal funding is coming from outside of the state, and this was incorporated in our capital expenditure estimates. There are no private costs associated with this measure, and therefore no increase to any private payer cost structure or expected reduction in activity. The transition to zero-emission buses and expanded transit service funded by out-of-state sources generates positive local economic activity through fleet replacement, infrastructure upgrades, and ongoing operations and maintenance work.

⁶⁶ (Federal Transit Administration, 2025); (Federal Transit Administration, 2025)

⁶⁷ (New Mexico Department of Transportation, 2026)

⁶⁸ (Zipper, 2025)

Table T.1.2. IMPLAN Inputs for T-1

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Federally Funded Transit Expenditures	\$48,000,000	\$1,920,000	400-Transit and ground passenger transportation	2026-2050

T-2: Expand and Improve Access and Safety for Active Transportation

Measure Summary

This measure reduces VMT by investing in bicycle and pedestrian infrastructure that is safe, accessible, and compliant with the Americans with Disabilities Act, and focuses on LIDACs. State funding for municipal and regional active transportation projects is guided by municipal and regional active transportation plans and state funding program requirements. Active transportation projects on state and U.S. highways are guided by the upcoming Active Transportation Plan, which updates the NM Prioritized Statewide Bicycle Network Plan and builds upon the Pedestrian Safety Plan, while integrating Complete Streets concepts as per the Complete Streets Strategic Plan. The measure also establishes an electric mobility point-of-sale incentive program to encourage active transportation by providing vouchers to individuals and businesses for purchasing e-bikes, e-cargo bikes, and e-scooters. Incentivizing electric mobility transportation will help reduce the number of short trips (less than 5 miles) driven by internal combustion engine (ICE) vehicles.

Economic Analysis

This measure allocates state funding for bicycle and pedestrian infrastructure projects. This program allocated \$500 incentives per device for mobility devices for up to 10,000 devices per year. An average cost of these devices is \$2,150⁶⁹, and therefore assume a total private investment of \$412,500,000 will be required to fulfill this measure.

⁶⁹ (GYROOR, 2026)

Table T.2.1. Implementation Cost Estimates for T-2

Payer	Implementation Costs
State	\$536,446,000
Federal	\$0
Private	\$412,500,000
Electric mobility providers	\$412,500,000
Total	\$948,946,000

No economic impact was estimated for this measure, because it is expected all electric mobility device purchases would occur outside of New Mexico.⁷⁰

Recommended Modifications

While the measure proposes a substantial incentive for electric mobility devices, the economic benefits of this incentive do not accrue in New Mexico since electric mobility devices are not manufactured in the state. We recommend modifying the measure to be limited to electric mobility devices manufactured in New Mexico in order to attract a manufacturing facility for electric mobility devices to New Mexico.

Table T.2.2. IMPLAN Inputs for Modified T-2

Category	Total	Annual	IMPLAN Industry	Timing Assumption
New electric mobility device manufacturing revenue	\$537,500,000	\$21,500,000	345-Motorcycle, bicycle, and parts manufacturing	2026-2050

T-3: Support Transit-Oriented Development by Reassessing Land Use

Measure Summary

This measure lowers VMT by promoting mixed-use development (MXD) projects to be located near major transit hubs and by placing state offices near major transit hubs. The measure brings essential services to a central, accessible location, providing opportunities for community members and those near transit to work and shop within the MXD projects with fewer driving trips. The measure is designed to create alternative transportation options, ensuring residents have the choice to use public transit instead of relying solely on vehicle ownership. Targeting urban areas for this measure will enhance the effectiveness of VMT reduction while targeting rural areas will be less effective.

⁷⁰ (Bergen & Brustein, 2018)

Economic Analysis

This measure allocates state funding for program administration to encourage state offices to be located near major transit hubs. No changes to private costs or investments are anticipated. For this reason, no economic impacts were estimated for this measure.

Table T.3.1. Implementation Cost Estimates for T-3

Payer	Implementation Costs
State	\$13,586,000
Federal	\$0
Private	\$0
Total	\$13,586,000

T-4: Reduce State Employee Vehicle Miles Traveled

Measure Summary

This measure focuses on reducing VMT by employees statewide by encouraging employers across sectors to allow remote work or hybrid as appropriate; or convenient office locations subsidizing transit passes and bike repairs for employees, as needed, and counting commute time via transit as productive hours to encourage the use of public transit. This measure analyzes the impact of implementing these practices for state employees, as a use case.

Economic Analysis

This measure includes state funding for the costs of public transit passes, bike/active transit repairs, and program implementation. There are currently 18,500 state employees in New Mexico.⁷¹ Assuming typical cost savings for remote work of \$4,000 per year to each employee, and \$11,000 per year per employee for the employer, this measure is expected to save the state government \$4,885,244,000 and employees \$1,850,000,000 over the next 25 years. Note these homeowner benefits are narrowly targeted to state employees rather than all homeowners. No economic impacts were estimated for this measure, as cost savings would likely also be spent in New Mexico, albeit on different things.

⁷¹ (New Mexico State Personnel Office, 2025)

Table T.4.1. Implementation Cost Estimates for T-4

Payer	Implementation Costs
State	-\$4,885,244,000
Federal	\$0
Private	-\$1,850,000,000
Homeowners	-\$1,850,000,000
Total	-\$6,735,244,000

T-5: Expand Zero Emission Vehicle (ZEV) Infrastructure and Equipment

Measure Summary

This measure expands upon existing regulations that reduce vehicle emissions, supports the development of electric vehicle (EV) charging infrastructure and equipment, and creates programs to further the adoption of ZEVs. The measure extends the New Motor Vehicle Emissions Standards (NMVES) to require 100% of new vehicles delivered to New Mexico to be electric by 2035 and increases the carbon intensity reduction target for the Clean Transportation Fuel Program from 30% by 2040 to 50% by 2050. This measure also establishes the electrification of New Mexico's alternative fuel corridors through the installation of direct current fast chargers (DCFCs) and expands point-of-sale incentive programs for light-duty ZEVs and scrap-and-replace programs for commercial vehicles. The measure establishes either a fee on retail delivery services or a road usage fee for the state of New Mexico to fund charging network development and creates opportunities for collecting data from these publicly funded charging networks. Projects are prioritized to promote ZEV adoption across urban and rural areas of New Mexico.

Economic Analysis

This measure includes state funding for electric vehicle charging infrastructure and factors in future revenues to offset costs for an estimated state cost of \$1,489,250,000 to meet the objectives of this measure. Commercial vehicles are offered a voluntary scrap and replace program to upgrade to electric commercial vehicles. Since this program is voluntary, no private costs or investments are estimated for this part of the measure. The measure also outlines mandates for 100% new electric vehicles by 2035. Since federal electric vehicle credits have expired, we did not assume any federal funding for this

measure.⁷² In 2024, 82,300 new vehicles were sold in New Mexico. Electric vehicles currently comprise 5% of vehicle sales in New Mexico.⁷³ We assume this same rate until 2035 when new regulations come into effect, at which point we assume electric vehicles would be 100% of sales for the following 16 years. We assumed an electric vehicle premium of \$8,100 over conventional vehicles, and we assumed this premium would represent an additional private cost for the 95% of electric vehicle sales above the current 5% market share observed absent regulations requiring electric vehicle purchases.⁷⁴ Assuming \$1,250 for new residential charger installation⁷⁵, and \$3,750 per electric vehicle⁷⁶ for required grid investments, we estimate this measure will require homeowner investments of \$10,637,321,563, and electric utility investments of \$3,413,532,188, after subtracting electric utility investments for new electric vehicle charging infrastructure covered under building measures and current investments in charging infrastructure absent regulations.

Table T.5.1. Implementation Cost Estimates for T-5

Payer	Implementation Costs
State	\$1,489,250,000
Federal	\$0
Private	\$14,050,853,750
Homeowners	\$10,637,321,563
Electric Utilities	\$3,413,532,188
Total	\$15,540,103,750

To estimate the economic impact of implementing Measure T-5, we considered the additional private investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table T.5.2. Since there are no electric vehicle manufacturers in the state, electric vehicle purchases are not expected to generate new economic impacts. The required private investments for homeowners (new residential chargers) and electric utilities (grid upgrades) represent new spending for the 95% of electric vehicle purchases made as a result of the regulation. We assumed the components being installed would be sourced out of state, and using INL figures,

⁷² (Internal Revenue Service, 2025)

⁷³ (Augustine, 2024)

⁷⁴ (Alternative Fuels Data Center, 2026)

⁷⁵ (Alternative Fuels Data Center, 2026)

⁷⁶ (Sahoo et al., 2019)

estimated a local purchase percentage of 40% for homeowner investments.⁷⁷ Power utility investments are assumed to have 100% local purchase percentage. Since the additional homeowner costs represent new costs, the economic impact of reduced personal income is estimated as well.

Table T.5.2. IMPLAN Inputs for T-5

Category	Total	Annual	IMPLAN Industry	Timing Assumption
New residential EV charger installations	\$2,345,550,000	\$146,596,875	47-Construction of new power and communication structures	2035-2050
Electric utility grid upgrades	\$3,413,532,188	\$213,345,762	47-Construction of new power and communication structures	2035-2050
Homeowner personal income reduction	-\$10,637,321,563	-\$664,832,598	10001-10009 Household Income	2035-2050

Recommended Modifications

This measure is ambitious given the current rate of adoption of electric vehicles in New Mexico, which is currently half of the national average. The cost of electric vehicles, the per capita VMT in New Mexico, and the nature of vehicle use in New Mexico with a high rate of pickup truck ownership all are factors impeding adoption of electric vehicles in New Mexico. A mandate of electric vehicles would force a significant change in consumer behavior in New Mexico, and disproportionately impact rural, tribal, and LIDAC communities. The alternative strategy we would recommend would be an incentive program that includes tax credits that more than offset the higher costs of electric vehicles when paired with federal incentives, and a bonus incentive for a certain percentage of the supply chain located in New Mexico. Hota Industrial Manufacturing, a Tesla supplier, has acquired land in Santa Teresa, New Mexico to build a facility; however, construction has not yet started.⁷⁸ This indicates New Mexico is attractive to electric vehicles manufacturers currently, and that additional incentives could attract more of the electric vehicle supply chain and possibly accrue significant agglomeration benefits in the future.

The best example of using large incentives for encouraging electric vehicle adoption is Norway, which was able to achieve 66% electric vehicle adoption through a combination of incentives, road toll discounts, and purchase tax discounts that made electric vehicles

⁷⁷ (Schey et al., 2022)

⁷⁸ (Pacheco, 2025)

30% cheaper than gas vehicles.⁷⁹ It is estimated that without these benefits electric vehicle market share would fall to 25%. While this incentive would be expensive, it would not directly harm consumers through higher costs, and if it could be used to attract a large export based industry such as electric vehicle manufacturing, this approach could drive much more economic development and job creation than the mandate approach.

Table T.5.3. IMPLAN Inputs for Modified T-5

Category	Total	Annual	IMPLAN Industry	Timing Assumption
New residential EV charger installations	\$2,345,550,000	\$146,596,875	47-Construction of new power and communication structures	2035-2050
Electric utility grid upgrades	\$3,413,532,188	\$213,345,762	47-Construction of new power and communication structures	2035-2050

⁷⁹ (Cincotta & Thomassen, 2025)

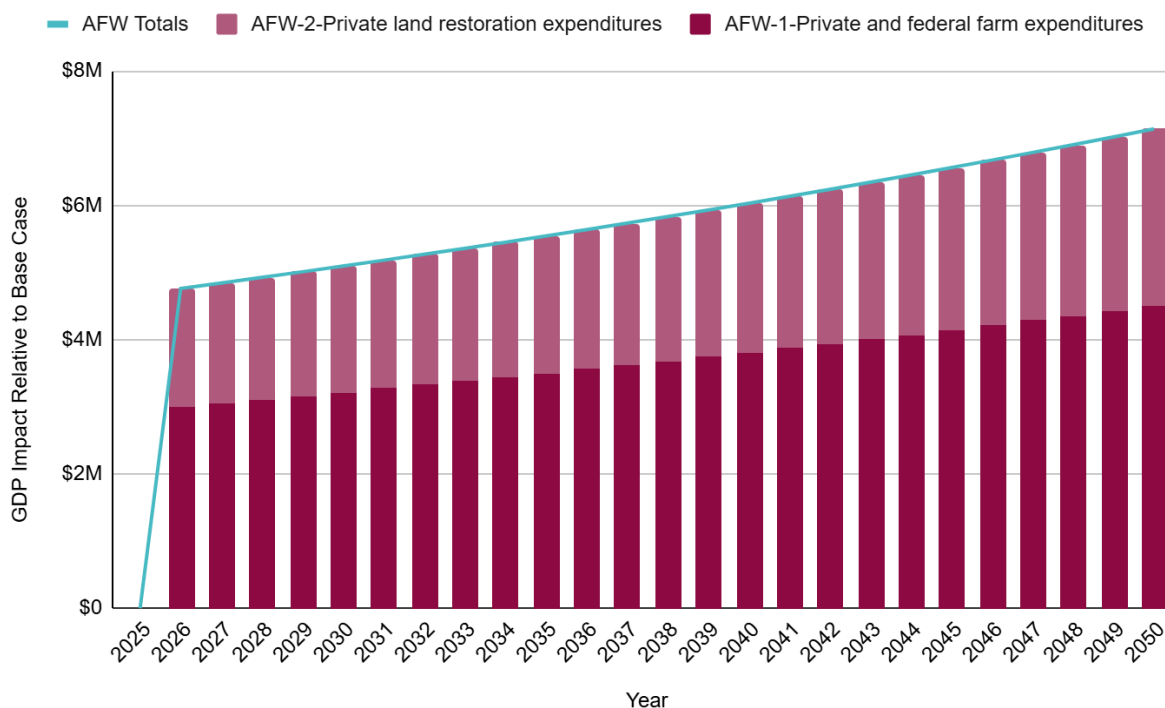
Agriculture, Forests, and Wilderness Measures (AFW)

The proposed agriculture, forests, and wilderness measures include new agricultural practices, land restoration, and increased urban canopies. Estimated implementation costs of proposed agriculture, forests, and wilderness measures are shown in Table AFW.1. Figure AFW.1 shows the impact these measures are estimated to have on New Mexico GDP. No recommended modifications were made to this measure category.

Table AFW.1. Estimated Implementation Costs of Agriculture, Forests, and Wilderness Measures, 2026-2050

Measure	State	Private	Federal	Total
AFW-1: Mitigate Carbon Emissions through Agricultural Practices	\$6,516,000	\$83,250,000	\$194,250,000	\$284,016,000
AFW-2: Restore and Conserve Natural and Working Lands	\$50,090,000	\$49,004,000	\$0	\$99,094,000
AFW-3: Increase Urban Canopies by 5% by 2040	\$90,516,000	\$0	\$0	\$90,516,000
Total	\$147,122,000	\$132,254,000	\$194,250,000	\$473,626,000

Figure AFW.1. Estimated New Mexico GDP Impact, Agriculture, Forests, and Wilderness Measures, 2026-2050



The subsections below present a summary and the economic analysis of each agriculture, forests, and wilderness measure.

AFW-1: Mitigate Carbon Emissions through Agricultural Practices

Measure Summary

This measure supports using agricultural practices that mitigate carbon emissions, including soil health management, reduced- or no-till farming, cover cropping, nitrogen management, manure and feed management for livestock, energy efficiency, organic soil amendments (e.g., biochar, compost), and on-farm energy production where appropriate. This measure supports expanding the New Mexico Healthy Soil Program, which provides grants to on-the-ground projects to improve soil health.

Economic Analysis

Assuming the primary cost of implementing the proposed agricultural practices is adding a cover crop, we estimated the average cost of adding cover crops is \$37 per acre⁸⁰. We also assumed the USDA NRCA Cover Crop EQIP⁸¹ funding opportunity would cover 70% of the cost. To add cover crops to 300,000 acres would require a private investment of \$83,250,000 and be supported by an additional \$194,250,000 in federal funding.

Table AFW.1.1. Implementation Cost Estimates for AFW-1

Payer	Implementation Costs
State	\$6,516,000
Federal	\$194,250,000
Private	\$83,250,000
Farmers	\$83,250,000
Total	\$284,016,000

To estimate the economic impact of implementing Measure AFW-1, we considered the additional private and federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table AFW.1.2. We assumed the cover crop seed, equipment, and related inputs would be sourced largely out of state, while planting, soil preparation, and local farm labor occur in New Mexico. Using cover crop cost breakdowns from Myers et al. (2019), we apply a 35% local purchase

⁸⁰ (Myers et al., 2019)

⁸¹ (Natural Resources Conservation Service, 2022)

percentage for farmer expenditures.⁸² Federal cost-share payments (70%) represent external funding entering the state economy. Since this measure is voluntary, it is assumed that the increase to private payer cost structure due to this measure will not lead to measurable activity reduction in the agriculture sector.

Table AFW.1.2. IMPLAN Inputs for AFW-1

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Private and federal farm expenditures	\$97,125,000	\$3,885,000	10-All other crop farming	2026-2050

AFW-2: Restore and Conserve Natural and Working Lands

Measure Summary

This measure incorporates landscape-scale restoration that supports native plant communities, carbon storage, and drought mitigation on natural and working lands. This restoration includes planting permanent vegetative cover on abandoned and currently mined lands and highly disturbed areas, such as brownfields.

Economic Analysis

This measure requires substantial public funding for land restoration projects, site preparations, native vegetation planting, long-term maintenance and monitoring which include enhanced ecosystem services, reduced disaster mitigation costs, and improved land productivity. Assuming a similar structure to federal conservation grants, such as the USDA Regional Conservation Partnership Program⁸³, private investment contribution is assumed to be 50% of total project costs resulting in a total private investment of \$49,004,000 to match the state's capital contribution.

Table AFW.2.1. Implementation Cost Estimates for AFW-2

Payer	Implementation Costs
State	\$50,090,000
Federal	\$0
Private	\$49,004,000
Landowners	\$49,004,000
Total	\$99,094,000

⁸² (Myers et al., 2019)

⁸³ (Natural Resources Conservation Service, 2025)

To estimate the economic impact of implementing Measure AFW-2, we considered the additional private investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table AFW.2.2.

We assumed 100% local purchase percentage for this measure. Since this measure is voluntary, it is assumed that the increase to private payer cost structure due to this measure will not lead to measurable activity reduction in the agriculture sector.

Table AFW.2.2. IMPLAN Inputs for AFW-2

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Private land restoration expenditures	\$49,004,000	\$1,960,160	459-Landscape and horticultural services	2026-2050

AFW-3: Increase Urban Canopies by 5% by 2040

Measure Summary

This measure reduces GHGs by expanding urban canopies. Tree planting programs in urban areas increase carbon sequestration capacity, decrease energy demand, and increase quality of life, while prioritizing LIDACs. This measure would expand volunteer planting programs in urban communities.

Economic Analysis

This measure requires federal funding for tree planting, nursery production, site preparation, irrigation and long-term maintenance. Over time, economic benefits such as lower urban energy demand, reduced heat-related health costs, stormwater management savings, and increased property values can offset a portion of the initial investment. We assumed there would be no additional private costs or investment necessary, as primary private contribution is voluntary, and therefore no economic impacts are estimated for this measure.

Table AFW.3.1. Implementation Cost Estimates for AFW-3

Payer	Implementation Costs
State	\$90,516,000
Federal	\$0
Private	\$0
Total	\$90,516,000

AFW-4: Reduce and Mitigate Wildfires

Measure Summary

This measure works to undertake landscape-scale wildfire reduction and mitigation in high-risk and high-priority areas in forests and watersheds throughout New Mexico. Activities including fuel reduction, controlled burns, pest management, reforestation projects, and biomass utilization enhance forest resiliency against wildfires, pests, and diseases and promote carbon sequestration in forest ecosystems. Management strategies that support fire-adapted forests can combat the increased risk of high severity fires from the history of fire suppression and climate change.

Economic Analysis

This measure considers forest health, intensity of wildfires, forest density, and acres of forest burned from wildfires. It assumes improved forest management activities would decrease the wildfire severity from high to low for one-third of the area of impact, which is projected to have an emission reduction of 19%. It has vast economic, environmental and health benefits, such as: cost savings related to fire prevention and suppression; protection of infrastructure and property; reduced water supply and storage costs; job creation; improved economic resilience; preservation of home insurance access in high-risk areas; improved forest health and biodiversity; protection of air quality; protection of water quality; ecological resilience; lower risk of post-fire flooding and water contamination; among others.

The CAP Team did not estimate costs associated with Measure AFW-4. It is expected that the activities under the current New Mexico Forestry Division budget for forest management would produce this measure's emission reductions. We assumed there would be no additional private costs or investment necessary, and therefore no economic impacts were estimated.

AFW-5: Reduce Greenhouse Gases from Food Systems

Measure Summary

This measure aims to reduce GHGs from food production, processing, packaging, transportation, storage, retail, and food preparation through local food production and processing, organic waste and food waste prevention, and composting. This measure supports funding for projects that buy local food from disadvantaged and emerging farmers, distribute food to underserved communities, and provide financial and technical

assistance to local food producers. Additionally, New Mexico aims to enhance in-state meat processing capacity to offset emissions from imported foods.

Economic Analysis

This measure's qualitative and quantitative characteristics will result in an inclusive list of all potential benefits. Additionally, the CAP Team expects long-term cumulative benefits will outweigh the cumulative costs. Investing in local food systems offers a wide range of economic, environmental, and public health benefits that strengthen communities, support sustainability, and improve quality of life.

It has vast economic, environmental and health benefits, such as job creation, investment in small and mid-sized food producers, air pollution reductions, noise pollution reductions, cold chain efficiency, biodiversity conservation, improved respiratory health, traceability and transparency, among others.

The CAP Team did not estimate costs associated with Measure AFW-5, and we assumed there would be no additional private costs or investment necessary, and therefore no economic impacts were estimated.

Electricity Generation Measures (E)

Proposed measures for electricity generation cover several pilot projects and remediation efforts, as well as clean energy grants and loans for Nations, Pueblos, and Tribes, and significant expansions of transmission, renewable energy generation and energy storage infrastructure. Estimated implementation costs of proposed electricity generation measures are presented in Table E1. Figure E.1 shows the impact these measures are estimated to have on New Mexico GDP. Figure E.2 shows the impact these measures are estimated to have on New Mexico GDP with recommended modifications.

Table E.1. Estimated Implementation Costs of Electricity Generation Measures, 2026-2050

Measure	State	Private	Federal	Total
E-1: Incentivize Clean Energy Hubs	\$101,086,000	\$0	\$0	\$101,086,000
E-2: Provide Clean Energy Grants for Nations, Pueblos, and Tribes	\$460,272,000	\$0	\$0	\$460,272,000
E-3: Scale Zero- and One-Percent Interest Energy Loans	\$220,272,000	\$0	\$0	\$220,272,000
E-4: Launch a Long-Duration Energy Storage Pilot	\$35,450,000	\$0	\$35,450,000	\$70,900,000
E-5: Incentivize Distributed Wind Generation	\$375,272,000	\$875,634,667	\$0	\$1,250,906,667
E-6: Provide Community Energy Storage Grants	\$11,076,000	\$125,584,000	\$0	\$136,660,000
E-7: Strengthen Geothermal Policy and Market Deployment	\$80,430,000	\$4,832,180,250	\$1,830,000,000	\$6,742,610,250
E-8: Advance Geothermal Resource Development	\$53,258,000	\$1,165,439,800	\$0	\$1,218,697,800
E-9: Expand Transmission, Generation, and Storage of Renewable Electricity	\$8,689,000	\$20,508,000,000	\$0	\$20,516,689,000
E-10: Support Right-of-Way (ROW) Interstate Transmission	\$122,352,000	\$693,328,000	\$0	\$815,680,000
E-11: Develop Regulatory Structures to Support Virtual Power Plants (VPPs)	\$4,779,000	\$2,047,270	\$0	\$6,826,270
E-12: Support Grid-Enhancing Technology (GET) Development	\$4,344,000	\$0	\$0	\$4,344,000
E-13: Pass a Clean Peak Standard and Establish Virtual Power Plant Programs	\$3,000,000	\$0	\$0	\$3,000,000
E-14: Enable Microgrids	\$200,272,000	\$467,301,333	\$0	\$667,573,333
Total	\$1,680,552,000	\$28,669,515,320	\$1,865,450,000	\$32,215,517,320

Figure E.1. Estimated New Mexico GDP Impact, Electricity Generation Measures, 2026-2050

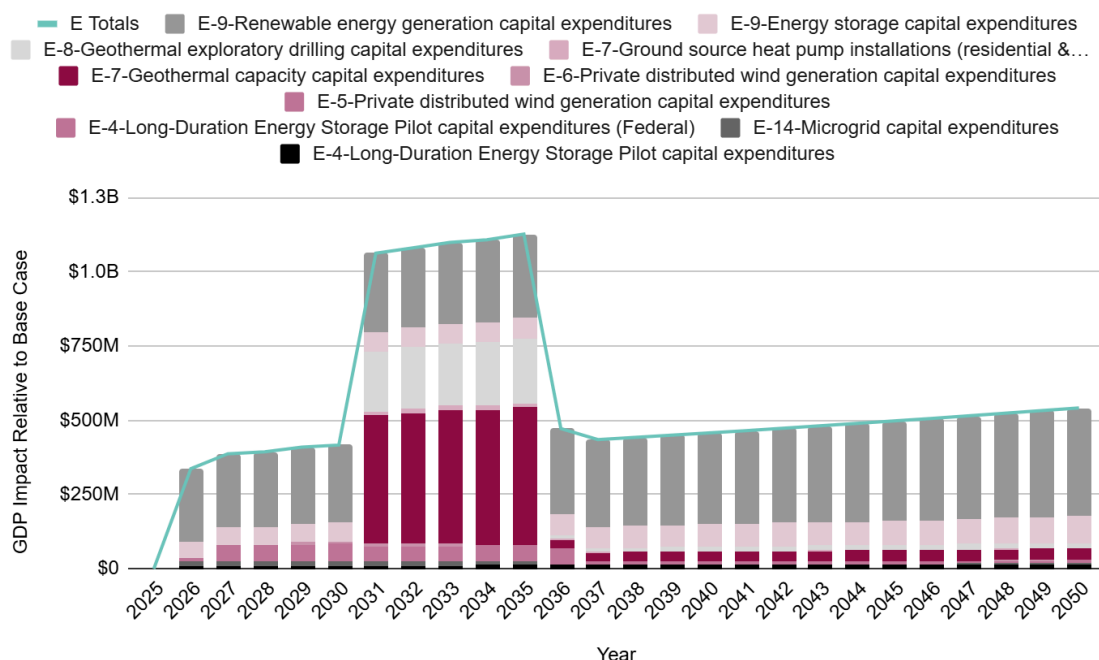
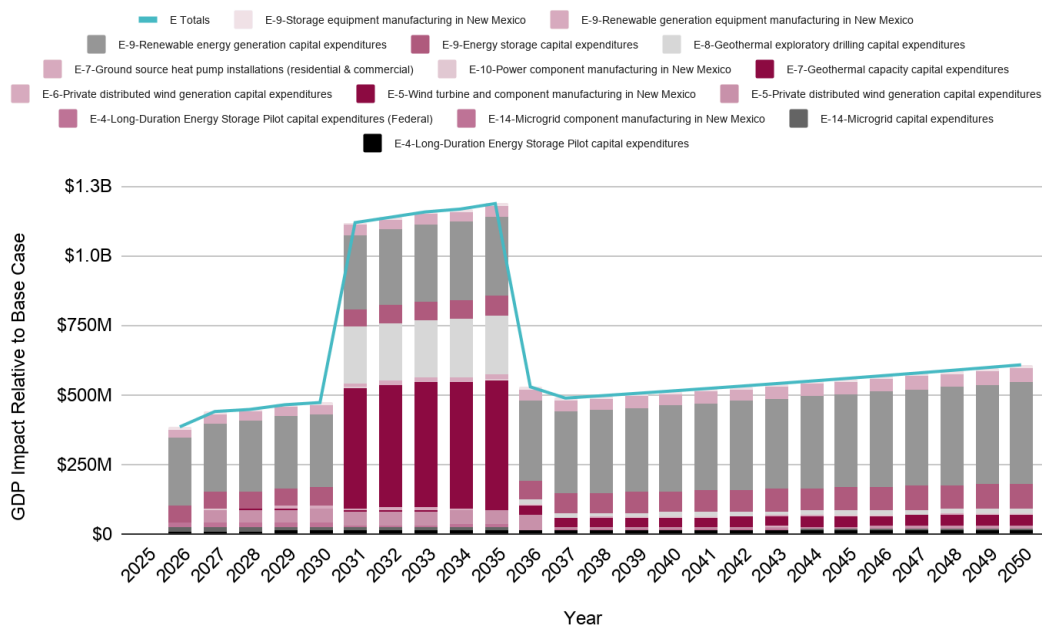


Figure E.2. Estimated New Mexico GDP Impact, Modified Electricity Generation Measures, 2026-2050



The subsections below present a summary and the economic analysis of each electricity generation measure.

E-1: Incentivize Clean Energy Hubs

Measure Summary

This measure establishes clean energy hubs on former mine lands and brownfields, creating new opportunities for communities. Through grants and revolving funds, the measure supports the cleanup and reuse of these underutilized sites, the deployment of renewable energy projects, and the implementation of workforce training. Projects are structured to deliver economic benefits for local residents, ensure accountability in how funds are used, and address longstanding environmental justice concerns. By targeting former mine lands and brownfields, the measure helps transform areas once tied to pollution or decline, into sources of clean power, good jobs, and healthier, more resilient communities.

Economic Analysis

This measure is supported by state funds, although there could be additional federal funding opportunities for these efforts. To the extent these efforts are funded by non-state sources, net jobs creation can be expected. No additional private implementation costs are expected from this measure, and therefore no economic impacts are estimated for this measure.

Table E.1.1. Implementation Cost Estimates for E-1

Payer	Implementation Costs
State	\$101,086,000
Federal	\$0
Private	\$0
Total	\$101,086,000

E-2: Provide Clean Energy Grants for Nations, Pueblos, and Tribes

Measure Summary

This measure provides grants to each of New Mexico’s 23 federally-recognized Nations, Pueblos, and Tribes (NPTs), along with their service providers, to strengthen Tribal energy sovereignty and resilience while advancing clean energy development. Funding supports projects that modernize the electric grid, expand renewable energy deployment, and improve siting and permitting processes in alignment with New Mexico’s climate and environmental justice goals. By investing directly in Tribally-led initiatives, the measure

ensures benefits remain within Tribal communities, builds local capacity to manage energy resources, and creates a stronger foundation for long-term energy independence and more resilient Tribal communities statewide.

Economic Analysis

This measure is supported by state funds, although there could be additional federal funding opportunities for these efforts. Significant expansions of renewable energy generation and energy storage are included under Measure E-9. This measure would be expected to support those efforts, however the implementation costs and impacts of renewable energy generation and energy storage expansion are estimated under Measure E-9.

Table E.2.1. Implementation Cost Estimates for E-2

Payer	Implementation Costs
State	\$460,272,000
Federal	\$0
Private	\$0
Total	\$460,272,000

E-3: Scale Zero- and One-Percent Interest Energy Loans

Measure Summary

This measure expands access to 0% and 1% interest loans to support clean energy generation, energy storage, ZEV infrastructure, and energy efficiency upgrades across New Mexico. Loans are available to NPTs. They are also available to educational agencies and municipalities, helping institutions finance projects that reduce energy costs and emissions. The measure is structured so that loan repayments do not exceed the utility bill savings generated by the projects, ensuring budget neutrality for participants. By lowering the cost of capital, the measure enables broader adoption of clean energy technologies, reduces financial barriers, and accelerates the state's transition to a cleaner energy future.

Economic Analysis

This measure provides low-cost loans to help many clean energy projects be budget neutral. The state budget for this measure is \$220,272,000. Significant expansions of renewable energy generation and energy storage are included under Measure E-9. This measure would be expected to support those efforts, however the implementation costs

and impacts of renewable energy generation and energy storage expansion are estimated under Measure E-9.

Table E.3.1. Implementation Cost Estimates for E-3

Payer	Implementation Costs
State	\$220,272,000
Federal	\$0
Private	\$0
Total	\$220,272,000

E-4: Launch a Long-Duration Energy Storage Pilot

Measure Summary

This measure establishes a pilot program to evaluate emerging long-duration energy storage (LDES) technologies capable of providing storage for 10+ hours, suitable for New Mexico's climate and energy landscape. Technologies may include gravity-based storage, molten rock thermal storage, and hydrogen, among others. The pilot will consider site-specific factors, nominal duration, average round-trip efficiency, capacity, life cycle emissions, cost, and community impacts. LDES is an important enabling tool to bring larger percentages of variable renewable energy generators onto the grid while maintaining grid reliability. While LDES represents a broad category of nascent technologies, there are existing examples of LDES deployment, including California Energy Commission's LDES grant program.

Economic Analysis

This measure focuses on a pilot project supported by state funding, however based on the currently planned Carrizo Pump Storage Hydropower plant, a 50% federal match is possible for projects like this.⁸⁴

⁸⁴ (New Mexico State University, 2024)

Table E.4.1. Implementation Cost Estimates for E-4

Payer	Implementation Costs
State	\$35,450,000
Federal	\$35,450,000
Private	\$0
Total	\$70,900,000

To estimate the economic impact of implementing Measure E-4, we considered the additional federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table E.4.2. Assuming a 50% federal match implies a federal investment of \$35,450,000 that would count as new spending.

Table E.4.2. IMPLAN Inputs for E-4

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Long-Duration Energy Storage Pilot capital expenditures (Federal)	\$35,450,000	\$11,816,667	47-Construction of new power and communication structures	2028-2030

E-5: Incentivize Distributed Wind Generation

Measure Summary

This measure incentivizes distributed wind generation projects across New Mexico, with a focus on delivering enhanced community benefits. Funding provides financial incentives for wind projects of varying sizes, with incentive levels adjusted based on the total installed capacity of each system. By supporting distributed wind generation, the measure expands opportunities for clean power in rural and local settings, reduces reliance on fossil fuels, and contributes to statewide renewable energy goals. The measure also ensures that benefits, such as local economic development and improved energy resilience, are shared directly with the communities where projects are located.

Economic Analysis

This measure provides state funding for 30% of wind generation projects in New Mexico. This implies private investment for the remaining 70% of wind generation projects contemplated under this measure, for an estimated total private investment of

\$875,634,667. It is assumed this measure will not increase utility rates due to the incentives supporting project viability.

Table E.5.1. Implementation Cost Estimates for E-5

Payer	Implementation Costs
State	\$375,272,000
Federal	\$0
Private	\$875,634,667
Electric Utilities	\$875,634,667
Total	\$1,250,906,667

To estimate the economic impact of implementing Measure E-5, we considered the additional private investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table E.5.2. The required private investments for distributed wind projects represent new spending. We assumed the wind turbine components and major equipment would be sourced out of state, and using NREL’s estimates for smaller systems, turbines typically represent 45% of equipment costs, implying a local purchase percentage for these upgrades of 55%.⁸⁵

Table E.5.2. IMPLAN Inputs for E-5

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Private distributed wind generation capital expenditures	\$481,599,067	\$48,159,907	47-Construction of new power and communication structures	2027-2036

Recommended Modifications

A recommended modification for this measure is to provide a bonus incentive to projects that utilize a certain percentage of New Mexico produced wind turbines and components. Given the size and duration of the investment planned by the state, such an incentive could help attract wind turbines and component manufacturers. While turbine manufacturing is a capital intensive operation, the 10-year horizon for this incentive may provide the economic justification to locate a new operation in New Mexico. Table E.5.3 shows updated economic impact inputs assuming 20% of wind turbines and components

⁸⁵ (Stehly et al., 2024)

for the measure's wind projects would be produced in New Mexico based on this recommended modification.

Table E.5.3. IMPLAN Inputs for Modified E-5

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Private distributed wind generation capital expenditures	\$875,634,667	\$87,563,467	47-Construction of new power and communication structures	2027-2036
Wind turbine and component manufacturing in New Mexico	\$112,581,600	\$11,258,160	273-Other engine equipment manufacturing	2027-2036

E-6: Provide Community Energy Storage Grants

Measure Summary

This measure establishes a grant program to fund community-scale distributed energy storage systems (ESS). The program will support community resilience by incorporating ESS into new or existing microgrids, improving electricity reliability and affordability, particularly for rural and underserved communities. Program benefits will reduce household energy burdens and deliver economic benefits through improved reliability, while reducing reliance on fossil fuel backup power generation.

Economic Analysis

This measure seeks to encourage the installation of 94 MW of community-scale distributed energy storage systems. At a current price of \$334/kWh⁸⁶ and assuming a standard 4-hour duration, the cost of these systems would be \$1,336/kW, for a required private investment of \$125,584,000. As a community-scale project, this would be owned and maintained by the community, which would be responsible for maintenance. The community may benefit from enhanced energy reliability in their area, and may be able to generate some revenue from the system. No change to ongoing costs is assumed. The state plans to provide \$11,076,000 to support this effort.

⁸⁶ (Cole et al., 2025)

Table E.6.1. Implementation Cost Estimates for E-6

Payer	Implementation Costs
State	\$11,076,000
Federal	\$0
Private	\$125,584,000
Electric Utilities	\$125,584,000
Total	\$136,660,000

To estimate the economic impact of implementing Measure E-6, we considered the additional private investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table E.6.2. We assumed the battery storage systems and major equipment would be sourced out of state, while site preparation, electrical tie-ins, installation labor, and local contractor services occur in New Mexico. Using detailed cost breakdowns from the NREL (2025), installation and balance-of-system costs typically represent 40% of total project cost for community-scale systems, implying a 40% local purchase percentage.⁸⁷ Since the measure is voluntary no reductions to household income are estimated.

Table E.6.2. IMPLAN Inputs for E-6

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Private community energy storage capital expenditures	\$50,233,600	\$10,046,720	47-Construction of new power and communication structures	2029-2033

E-7: Strengthen Geothermal Policy and Market Deployment

Measure Summary

This measure strengthens geothermal policy and expands market deployment across the state, creating a foundation for long-term clean energy growth. It clarifies heat ownership, streamlines permitting, and enables the reuse of depleted or abandoned oil and gas wells. The measure identifies priority leasing areas, establishes geothermal Special Economic Zones, and proactively plans transmission to support new projects. By setting a 1 GW deployment goal by 2035 and offering grants, loans, and incentives for commercial

⁸⁷ (Cole et al., 2025)

projects and geothermal-powered data centers, the measure promotes utility heating and cooling efficiency, workforce training, and public education, helping communities access reliable, low-carbon geothermal energy.

Economic Analysis

There is significant variation in cost estimates for geothermal, and likely wide variation based on geological factors. NLR's 2024 ATB estimates \$20,000/kW for Deep EGS binary systems.⁸⁸ PNM's 2026 IRP, estimates \$15,500/kW.⁸⁹ Both of these are very high and would be unlikely to be built for this price based on available alternatives. A follow-on analysis to PNM's figures by Gridworks, which has since been included in PNM's IRP scenarios, estimates \$6,100/kW. This \$6,100/kW figure was used in our analysis because this price is closer to what is necessary for viability.⁹⁰ Federal incentives are still available for geothermal projects, so we assume 30% federal coverage.⁹¹ At \$6,100/kW, 1 GW of geothermal energy would require a \$6,100,000,000 investment from power utilities and federal sources. For homeowners the assumed upgrade cost for 2% of New Mexico's 974,158 housing units is \$27,500.⁹² For commercial building owners the assumed upgrade cost for 2% of New Mexico's 28,850 commercial buildings⁹³ is \$45,750 based on an average ground source heat pump size of 15 tons, the midpoint of common package size range.⁹⁴ Total to add ground source heat pumps to 2% of residential and commercial buildings would cost an additional \$553,381,000.

Table E.7.1. Implementation Cost Estimates for E-7

Payer	Implementation Costs
State	\$80,430,000
Federal	\$1,830,000,000
Private	\$4,832,180,250
Commercial building owners	\$26,397,750
Homeowners	\$535,782,500
Electric Utilities	\$4,270,000,000
Total	\$6,742,610,250

⁸⁸ (Akindipe et al., 2026)

⁸⁹ (PNM, 2026, January 14)

⁹⁰ (Frash, 2026), (PNM, 2026, June 10)

⁹¹ (Internal Revenue Service, 2026)

⁹² (McCabe, 2025)

⁹³ (ATTOM Data Solutions, 2025)

⁹⁴ (Praprost, 2025)

To estimate the economic impact of implementing E-7, we considered the additional private investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table E.7.2. Geothermal equipment (heat pumps, exchangers, and major components) is typically manufactured out of state, while drilling, loop installation, site preparation, and local contractor services occur in New Mexico. Using detailed cost breakdowns from NLR (2026), drilling costs represent 50%–60% of total system cost and heat pump/equipment 30%–40%, implying a local purchase percentage of 55% for these systems.⁹⁵ There is no increase to any private payer cost structure anticipated that would lead to activity reduction. Since the measure is voluntary no reductions to household income are estimated.

Table E.7.2. IMPLAN Inputs for E-7

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Ground source heat pump installations (residential & commercial)	\$309,199,138	\$15,459,957	47-Construction of new power and communication structures	2031-2035
Geothermal capacity capital expenditures	\$2,348,500,000	\$469,700,000	47-Construction of new power and communication structures	2031-2035

E-8: Advance Geothermal Resource Development

Measure Summary

This measure advances the development of enhanced and advanced geothermal energy as a key component of New Mexico’s clean energy future. It streamlines exploration and facility permitting to reduce project delays, establishes incentives for exploratory geothermal drilling, and requires that subsurface data be shared with the state to strengthen public resource mapping and analysis. The measure also develops a statewide geothermal resource map to identify priority sites for development and directs the PRC to evaluate clean transition tariffs that connect large industrial loads, such as data centers, to reliable, long-term renewable energy supplies.

⁹⁵ (Akindipe et al., 2026)

Economic Analysis

This measure incentivizes new exploratory drilling. Based on NLR figures, we assumed an average geothermal plant size of 40 MW, the same figure used in NLR's assumption for 2024 Annual Technology Baseline.⁹⁶ NLR's 2024 Annual Technology Baseline, outlines a moderate scenario that assumes three successful wells are required from exploration for a Deep Enhanced Geothermal System, and exploration wells are assumed to have a 60% success rate.⁹⁷ This implies roughly 125 exploratory wells would need to be drilled. Well costs can vary significantly by location and depth, we combined several sources and assumptions to reach an estimate of exploratory well cost. First, we assumed the technology would be Deep Enhanced Geothermal Systems, which requires an average depth of 3-7km, or 16,404 feet.⁹⁸ Using cost data from the recent Cape Station project, an ongoing EGS-based commercial power project near the Utah FORGE demonstration site, we assumed drilling costs of \$433/foot, which was the average cost at Cape Station over 6 wells drilled to average depth of 13,527 feet.⁹⁹ Additionally, we used the standard assumption from the DOE Geothermal Electricity Technology Evaluation Model (GETEM), which adds an extra \$1,000,000 per well for additional exploratory costs necessary before drilling, and 20% additional costs for unknown contingencies since the wells are exploratory and not well known.¹⁰⁰ Based on this approach, we assumed an estimated cost per well of \$9,723,518.¹⁰¹ To complete this measure's goals would require an estimated \$1,215,439,800 in private investment. To incentivize this activity, \$53,258,000 in state funding has been allocated to support this measure.

Table E.8.1. Implementation Cost Estimates for E-8

Payer	Implementation Costs
State	\$53,258,000
Federal	\$0
Private	\$1,165,439,800
Electric Utilities	\$1,165,439,800
Total	\$1,218,697,800

To estimate the economic impact of implementing E-8, we considered the additional private investments made to comply with this measure and attributed these investments to

⁹⁶ (National Laboratory of the Rockies, 2024)

⁹⁷ (National Laboratory of the Rockies, 2025)

⁹⁸ (Augustine et al., 2023)

⁹⁹ (Akindipe & Witter, 2025)

¹⁰⁰ (Entingh, 2006)

¹⁰¹ (Akindipe & Witter, 2025)

the IMPLAN industry codes shown in Table E.8.2. We assumed major drilling equipment and specialized tools would be sourced out of state, while drilling rigs, crews, site preparation, and local contractor services are highly local to New Mexico. Using cost breakdowns from NLR (2026), the system costs are typically 5-9%, so local purchase percentage is assumed to be 90%.¹⁰² There is no increase to any private payer cost structure anticipated that would lead to activity reduction. Federally supported expenditures were not applicable for this measure. Since the measure is voluntary no reductions to household income are estimated.

Table E.8.2. IMPLAN Inputs for E-8

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Geothermal exploratory drilling capital expenditures	\$1,093,895,820	\$218,779,164	47-Construction of new power and communication structures	2031-2035

E-9: Expand Transmission, Generation, and Storage of Renewable Electricity

Measure Summary

This measure deploys new electricity transmission infrastructure statewide to promote the development of new renewable generation and energy storage. Implementing agency(ies) will develop updated permitting processes to reduce transmission project development risk. This measure includes the deployment of 6 GW of transmission capacity, 11 GW of renewable generation, and 12 GWh of new energy storage (including 3 GWh of LDES with more than 10 hours of discharge capacity). The 6 GW of transmission capacity goal aligns with RETA's 2020 Transmission Study, which proposed three transmission collector plans, each with the goal of supporting 5.9 GW of capacity by 2030.

Economic Analysis

This measure supports a significant expansion of transmission infrastructure. The measure allocates \$8,689,000 in state funds for program and policy implementation. The 11 GW of renewable energy and 12 GWh of new energy storage outlined in this measure are beyond what is expected through normal growth of the system. The deployment of this generation and storage infrastructure is possible because the transmission investments make these

¹⁰² (Akindipe et al., 2026)

follow-on investments viable. Based on NLR (2026), \$1,500,000/MW is assumed for a blend of wind and solar investments.¹⁰³ Battery costs are estimated at \$334/kWh.¹⁰⁴ Private investments for new transmission infrastructure were estimated under measure E-10.

Table E.9.1. Implementation Cost Estimates for E-9

Payer	Implementation Costs
State	\$8,689,000
Federal	\$0
Private	\$20,508,000,000
Electric Utilities	\$20,508,000,000
Total	\$20,516,689,000

To estimate the economic impact of implementing E-9, we considered the additional private investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table E.9.2. We assumed the renewable generation and storage equipment would be sourced out of state, while installation, site preparation, electrical tie-ins, and local contractor services occur in New Mexico. Using cost breakdowns for wind, solar, and battery storage from NLR, we assumed a 40% local purchase percentage.¹⁰⁵ No increase to any private payer cost structure that would lead to activity reduction is expected. Federally supported expenditures were not applicable for this measure. Transmission costs were attributed to E-10.

Table E.9.2. IMPLAN Inputs for E-9

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Renewable energy generation capital expenditures ¹⁰⁶	\$6,600,000,000	\$264,000,000	47-Construction of new power and communication structures	2026-2050
Energy storage capital expenditures ¹⁰⁷	\$1,603,200,000	\$64,128,000	47-Construction of new power and communication structures	2026-2050

¹⁰³ (National Laboratory of the Rockies, 2024)

¹⁰⁴ (Cole et al., 2025)

¹⁰⁵ (Cole et al., 2025); (National Laboratory of the Rockies, 2024)

¹⁰⁶ 40% Local Purchase Percentage applied.

¹⁰⁷ 40% Local Purchase Percentage applied.

Recommended Modifications

A recommended modification for this measure is to provide a bonus incentive to projects that utilize a certain percentage of New Mexico produced renewable generation and storage equipment. Given the size and duration of the investment planned by the state, such an incentive could help attract renewable generation and storage equipment manufacturers. Table E.9.3 shows updated economic impact inputs assuming 20% of power components, transformers and distribution equipment for the measure's renewable generation and storage projects would be produced in New Mexico based on this recommended modification.

Table E.9.3. IMPLAN Inputs for Modified E-9

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Renewable energy generation capital expenditures ¹⁰⁸	\$6,600,000,000	\$264,000,000	47-Construction of new power and communication structures	2026-2050
Energy storage capital expenditures ¹⁰⁹	\$1,603,200,000	\$64,128,000	47-Construction of new power and communication structures	2026-2050
Renewable generation equipment manufacturing in New Mexico	\$1,980,000,000	\$79,200,000	296-Semiconductor and related device manufacturing	2026-2050
Storage equipment manufacturing in New Mexico	\$480,960,000	\$19,238,400	318-Battery manufacturing	2026-2050

E-10: Support Right-of-Way (ROW) Interstate Transmission

Measure Summary

This measure develops financial incentives and expedites permitting pathways for transmission along existing ROWs, streamlining the process of building new electric transmission lines within established corridors. This approach will focus on existing

¹⁰⁸ 40% Local Purchase Percentage applied.

¹⁰⁹ 40% Local Purchase Percentage applied.

infrastructure, like highways or existing transmission routes, to deliver rapid project approval and avoid lengthy negotiations or permitting delays. Permitting presents significant barriers to the development of new transmission capacity. Developing projects in existing ROWs can remove barriers and shorten the development timeline. Electricity transmission investment tax credits (ITCs) have been proposed at the federal level in 2019 and 2023, providing 15% and 30% ITCs respectively. ITCs often include criteria to ensure alignment of projects that claim the credit with program goals. These can include use of existing ROWs and other New Mexico priorities.

Economic Analysis

This measure provides an incentive covering 15% of ROW issues for permitting transmission lines. The measure allocates \$122,352,000 in state funds, which implies a private investment of \$693,328,000.

Table E.10.1. Implementation Cost Estimates for E-10

Payer	Implementation Costs
State	\$122,352,000
Federal	\$0
Private	\$693,328,000
Electric Utilities	\$693,328,000
Total	\$815,680,000

To estimate the economic impact of implementing E-10, we considered the additional private investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table E.10.2. We assumed major transmission line components (towers and conductors) would be sourced out of state, while foundation work, tower erection, conductor stringing, site preparation, and local contractor services are highly local. Substation costs include imported equipment but also local installation and foundations. Using cost breakdowns from DeSantis et al., (2021), the local labor, ROW, and installation portion totals approximately 40%, so 40% local purchase percentage was applied to the total investment.¹¹⁰ There is no increase to any private payer cost structure anticipated that would lead to activity reduction. Federally supported expenditures were not applicable for this measure. Since the measure is voluntary no reductions to household income are estimated.

¹¹⁰ (DeSantis et al., 2021)

Table E.10.2. IMPLAN Inputs for E-10

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Transmission capital expenditures ¹¹¹	\$277,331,200	\$11,093,248	47-Construction of new power and communication structures	2026-2050

Recommended Modifications

A recommended modification for this measure is to provide a bonus incentive to projects that utilize a certain percentage of New Mexico produced power components, transformers and distribution equipment. Given the size and duration of the investment planned by the state, such an incentive could help attract power components, transformations and distribution equipment manufacturers. Table E.10.3 shows updated economic impact inputs assuming 20% of power components, transformers and distribution equipment for the measure's transmission projects would be produced in New Mexico based on this recommended modification.

Table E.10.3. IMPLAN Inputs for Modified E-10

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Transmission capital expenditures ¹¹²	\$277,331,200	\$11,093,248	47-Construction of new power and communication structures	2026-2050
Power component manufacturing in New Mexico	\$97,881,600	\$3,915,264	314-Power, distribution, and specialty transformer manufacturing	2026-2050

¹¹¹ 40% Local Purchase Percentage applied.

¹¹² 40% Local Purchase Percentage applied.

E-11: Develop Regulatory Structures to Support Virtual Power Plants (VPPs)

Measure Summary

This measure supports the deployment of distributed energy resources (DERs), and the VPPs that manage groups of interconnected DERs, by ensuring DERs and VPPs are incorporated into PRC energy planning processes. Namely, PRC updates will support compensation to VPPs for the grid services that they provide, including peak demand reduction, frequency regulation, and voltage support. This measure dovetails with Measure E-13, which seeks to establish a Clean Peak Standard that will further bolster the market for VPPs. This measure also includes the development of performance-based regulations (PBRs) by the PRC. As part of the 2019 Efficient Use of Energy Act, New Mexico passed revenue decoupling as its first PBR, although as of 2025, no utility has filed a motion to implement this strategy. Revenue decoupling reduces utilities' incentives to focus on throughput, as compared to efficiency. The CAP Team assessed multiyear rate plans as the primary additional PBR strategy for this measure. To further incentivize DER deployment, this measure considers grants, revolving funds, and community awareness activities with a focus on LIDACs.

Economic Analysis

This measure supports the deployment of distributed energy resources to serve as virtual power plants. These can be valuable resources for utility companies because they can call on the stored energy during peak periods. This helps in emergencies and helps reduce the new investment necessary to meet peak demands.¹¹³ Assuming 2,390 MWh of power to be available by 2050 would require 1.01 MW of power capacity for solar¹¹⁴ and batteries. Assuming \$1,693/kW capital cost for solar¹¹⁵ and \$334/MWh for battery storage,¹¹⁶ private investment of \$2,047,270 would be required. The measure allocates \$4,779,000 in state funding for administration. Since the measure is voluntary no reductions to household income are estimated.

¹¹³ (Brehm & Tobin, 2024)

¹¹⁴ Assuming 27% capacity factor. (Lenoir, 2022)

¹¹⁵ (National Laboratory of the Rockies, 2025)

¹¹⁶ (Cole et al., 2025)

Table E.11.1. Implementation Cost Estimates for E-11

Payer	Implementation Costs
State	\$4,779,000
Federal	\$0
Private	\$2,047,270
Homeowners	\$2,047,270
Total	\$2,047,270

E-12: Support Grid-Enhancing Technology (GET) Development

Measure Summary

This measure supports the development of a plan to integrate advanced conductors and other GETs on new and existing transmission routes. The measure prioritizes understanding future transmission needs, evaluating the role of GETs in addressing transmission constraints, establishing GET standards, and requiring utility reporting. Examples of GETs include: Dynamic line ratings (DLR), advanced power flow controls, topology optimization, and advanced flexible transformers. GETs provide transmission utilities with quick-to-deploy options that add significant capacity to existing lines at a fraction of the cost of developing new transmission lines or reconductoring existing lines. GETs provide additional visibility and control to utilities, helping to mitigate operational risks including sparking wildfires during high wind events, reducing public safety power shutoffs (PSPS), and reducing unplanned outages.

Economic Analysis

This measure provides state funding for program and policy implementation to support other measures. This measure is not expected to require additional private costs or investment, and therefore no economic impacts were estimated for this measure.

Table E.12.1. Implementation Cost Estimates for E-12

Payer	Implementation Costs
State	\$4,344,000
Federal	\$0
Private	\$0
Total	\$4,344,000

E-13: Pass a Clean Peak Standard and Establish Virtual Power Plant Programs

Measure Summary

This measure establishes a Clean Peak Standard to mandate the use of clean energy technologies to meet peak energy demand. Additionally, the measure establishes a regulatory framework for the implementation of VPP programs that facilitate the deployment of DERs that will help meet the goals of the Clean Peak Standard. This measure is a key enabler of the DER and VPP deployment described as part of Measure E-11. To avoid double-counting, DERs and VPPs are addressed as part of E-11 only.

Economic Analysis

Private investment related to this measure is included under E-11 to avoid double counting. This measure allocates \$3,000,000 in state funding for program and policy implementation. For this reason, no economic impact was estimated for this measure.

Table E.13.1. Implementation Cost Estimates for E-13

Payer	Implementation Costs
State	\$3,000,000
Federal	\$0
Private	\$0
Total	\$3,000,000

E-14: Enable Microgrids

Measure Summary

This measure enables the development of renewable generation and battery-storage-fed microgrids in NPTs and rural communities through targeted grants and tax credits. By supporting microgrids, the measure increases access to reliable, locally-controlled energy that can operate independently during grid outages, enhancing resilience in areas that often face higher vulnerability to service disruptions. Investments in microgrids also expand opportunities for clean energy deployment in communities that may lack access to large-scale infrastructure, reducing dependence on fossil fuels. The measure helps ensure

that rural and Tribal communities benefit directly from the transition to a more resilient and sustainable energy system.

Economic Analysis

Assuming this measure covers 30% of the cost of microgrid installations, there would be a private investment requirement of \$467,301,333. The measure allocates \$200,272,000 in state funding to support this measure's objectives.

Table E.14.1. Implementation Cost Estimates for E-14

Payer	Implementation Costs
State	\$200,272,000
Federal	\$0
Private	\$467,301,333
Homeowners	\$467,301,333
Total	\$667,573,333

To estimate the economic impact of implementing E-14, we considered the additional private investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table E.14.2. We assumed the renewable generation and battery storage equipment would be sourced out of state, while installation, site preparation, electrical tie-ins, and local contractor services occur in New Mexico. Using standard NREL cost breakdowns, installation and balance-of-system costs typically represent 30% of total project cost, implying a 30% local purchase percentage. Since the incentives are voluntary no increase to any private payer cost structure is assumed that would lead to activity reduction. Federally supported expenditures were not applicable for this measure.

Table E.14.2. IMPLAN Inputs for E-14

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Microgrid capital expenditures ¹¹⁷	\$140,190,400	\$14,019,040	47-Construction of new power and communication structures	2026-2035

¹¹⁷ 30% Local Purchase Percentage applied.

Recommended Modifications

A recommended modification for this measure is to provide a bonus incentive to microgrid projects that utilize a certain percentage of New Mexico produced components and equipment. Given the size and duration of the investment planned by the state, such an incentive could help attract microgrid component manufacturers. Table E.14.3 shows updated economic impact inputs assuming 20% of microgrid components and equipment for the measure's microgrid projects would be produced in New Mexico based on this recommended modification.

Table E.14.3. IMPLAN Inputs for Modified E-14

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Microgrid capital expenditures ¹¹⁸	\$140,190,400	\$14,019,040	47-Construction of new power and communication structures	2026-2035
Microgrid component manufacturing in New Mexico	\$93,460,267	\$9,346,027	314-Power, distribution, and specialty transformer manufacturing	2026-2035

¹¹⁸ 30% Local Purchase Percentage applied.

Commercial and Residential Buildings Measures (B)

Proposed measures for commercial and residential buildings are incentives for installation of electric-vehicle charging infrastructure and heat pumps, and home electrification. Estimated implementation costs of proposed commercial and residential buildings measures are shown in Table B.1. Figure B.1 shows the impact these measures are estimated to have on New Mexico GDP. Figure B.2 shows the impact these measures are estimated to have on New Mexico GDP with recommended modifications.

Table B.1. Estimated Implementation Costs of Commercial and Residential Buildings Measures, 2026-2050

Measure	State	Private	Federal	Total
B-1: Update Building Codes	\$175,000,000	\$5,737,500,000	\$0	\$5,912,500,000
B-2: Electrify Appliances	\$27,152,000	\$1,729,116,250	\$642,944,280	\$2,399,212,530
B-3: Improve Energy Affordability and Reliability	\$55,527,000	\$17,750,000	\$6,000,000	\$79,277,000
B-4: Improve Residential Weatherization Program Eligibility	\$29,742,000	\$0	\$0	\$29,742,000
B-5: Incentivize Whole-Home Electrification	\$30,272,000	\$5,625,000	\$9,000,000	\$44,897,000
B-6: Improve Transportation Equity in Multifamily Housing	\$9,992,000	\$226,800,000	\$0	\$236,792,000
B-7: Pilot Community-Scale Geothermal Networks	\$300,000	\$0	\$0	\$300,000
Total	\$327,985,000	\$7,716,791,250	\$657,944,280	\$8,702,720,530

Figure B.1. Estimated New Mexico GDP Impact, Commercial and Residential Buildings Measures, 2026-2050

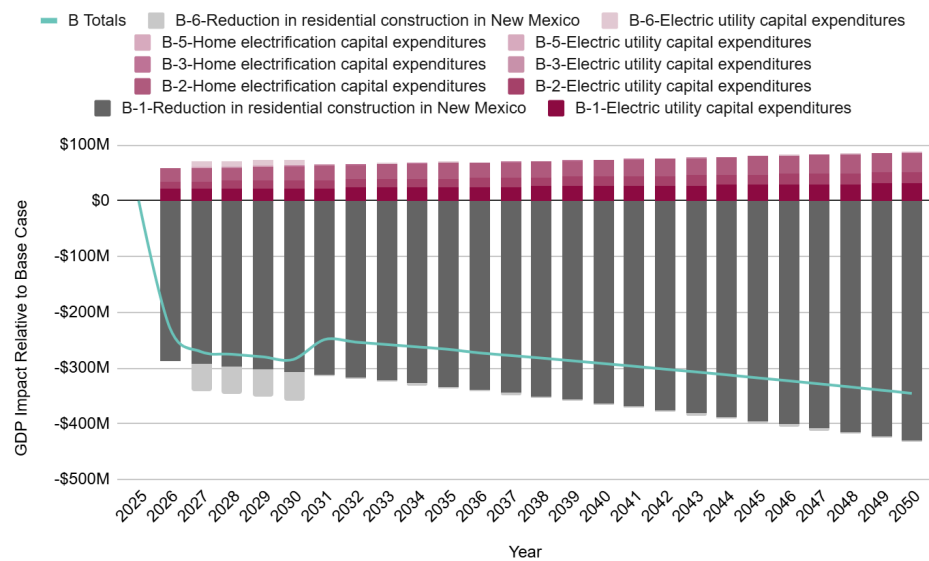
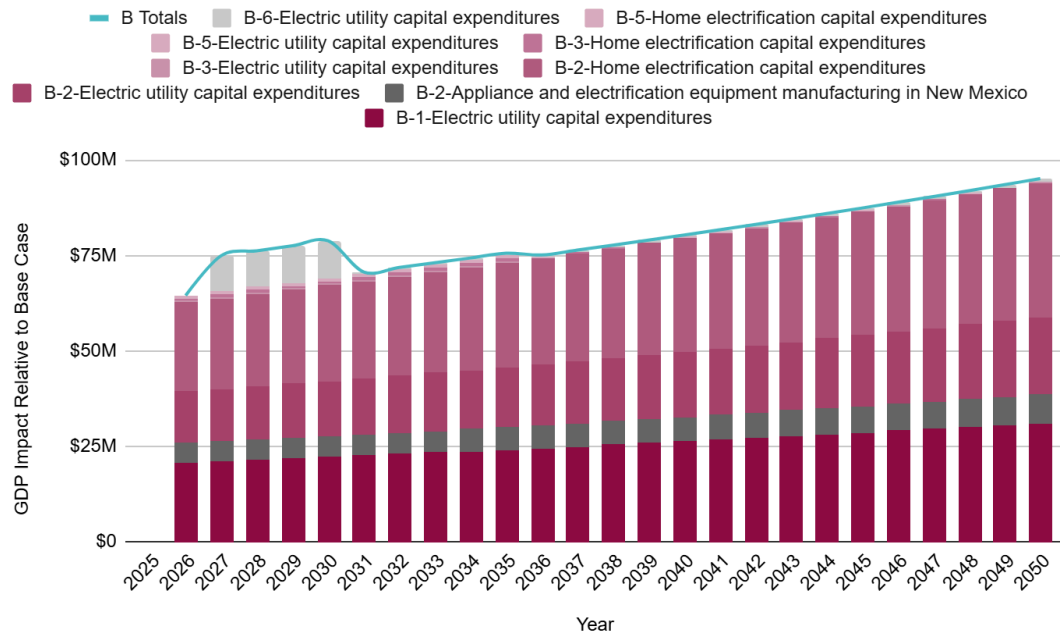


Figure B.2. Estimated New Mexico GDP Impact, Modified Commercial and Residential Buildings Measures, 2026-2050



The subsections below present a summary and the economic analysis of each commercial and residential buildings measure.

B-1: Update Building Codes

Measure Summary

This measure ensures that New Mexico's building and energy codes are among the nation's leading codes and will remain so as energy efficiency technologies evolve. As a supplement to the state's energy codes, this measure includes EV-Ready Standards for New Mexico Buildings that require infrastructure for the future installation of EVSE be installed during the construction of single-family detached houses, duplexes, townhouses, and multifamily buildings. The International Energy Conservation Code (IECC) is updated on a three-year cycle, with the latest version being released in 2024. New Mexico adopted the prior 2021 IECC on July 30, 2024. The New Mexico Building Decarbonization Roadmap proposed that the state "automatically update the building codes within 1-year after the International Energy Conservation Code release." This measure assumes that New Mexico adopts each subsequent IECC update within 1-year. With the 2024 update, the IECC expanded language for EV-capable, EV-ready, and EVSE-installed infrastructure, further acknowledging this critical link between the building and transportation sectors.

Economic Analysis

This measure is expected to add 10-20% to building costs in New Mexico.¹¹⁹ We assume the lower end of this range in our analysis because electric vehicle equipment does add value to some customers, and therefore can partially compensate for the price. LaPlue & Mamkhezri (2025) found solar panels are valued by homebuyers at roughly 50% of the installation cost of the solar panels, and we assume a similar relationship applies to electric vehicle equipment.¹²⁰ Assuming 7,500 new homes built per year at the current average home price of \$345,000,¹²¹ a 10% increase would add an additional \$34,500 to average new home prices in New Mexico. Using housing supply elasticity figures from Blackley (1990) and Saiz (2010), we assumed a housing supply elasticity for New Mexico of 2.0, implying the 10% price increase would lead to 20% reduction in housing supply due to lower demand for housing at the higher price point.¹²² This would reduce the number of new homes constructed in New Mexico from 7,500 to 6,000. The 10% increase in housing prices would be expected to cost new homebuyers an additional \$207,000,000 per year, or \$5,175,000,000 over the next 25 years. New Mexico has committed \$175,000,000 to state programs to support affordable housing. Additional investments would be necessary for the electrical grid. BCG has estimated that every electric vehicle requires an average

¹¹⁹ (New Mexico Environment Department & Energy, Minerals and Natural Resources Department, 2025)

¹²⁰ (LaPlue & Mamkhezri, 2025)

¹²¹ (Gonzales & Unrau, 2025)

¹²² (Blackley, 1999); (Saiz, 2010)

investment of \$3,750 to the electrical grid. Assuming 6,000 new homes per year with EV-Ready standards would require utility investments of \$22,500,000 per year, or \$562,500,000 over 25 years.¹²³

Table B.1.1. Implementation Cost Estimates for B-1

Payer	Implementation Costs
State	\$175,000,000
Federal	\$0
Private	\$5,737,500,000
New homebuyers	\$5,175,000,000
Electric Utilities	\$562,500,000
Total	\$5,912,500,000

To estimate the economic impact of implementing B-1, we considered the additional private investments and changes in industry activity as a result of complying with this measure and attributed these investments to the IMPLAN industry codes shown in Table B.1.2. The 10% price increase in housing cost is expected to lead to an activity reduction of \$504,562,500 per year, or \$12,614,062,500 over 25 years in private residential construction in New Mexico based on available elasticity measures. The required private investments for electric utilities represent new spending. We assumed 100% local purchase percentage for electric utility expenditures.

Table B.1.2. IMPLAN Inputs for B-1

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Reduction in residential construction in New Mexico	-\$7,762,500,000	-\$310,500,000	52-Construction of new single-family residential structures	2026-2050
Electric utility capital expenditures	\$562,500,000	\$22,500,000	47-Construction of new power and communication structures	2026-2050

Recommended Modifications

A recommended modification for this measure is to provide developer or homeowner incentives to reduce the cost of adding electric vehicles charger equipment. The goal of

¹²³ (Sahoo et al., 2019)

the developer incentive should be to make it cost neutral to consumer value of the charging equipment or electric vehicle capable wiring, so adding charging equipment is less onerous. Using an incentive structure as opposed to mandates avoids housing cost increases, and resulting declines in new home construction and housing availability.

Table B.1.3. IMPLAN Inputs for Modified B-1

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Electric utility capital expenditures	\$562,500,000	\$22,500,000	47-Construction of new power and communication structures	2026-2050

B-2: Electrify Appliances

Measure Summary

This measure aims to electrify one third of the space and water heating in commercial buildings, single-family residential buildings, and multifamily residential buildings by 2035. To achieve this, the implementing agency(ies) will establish legislation that requires an equitable decarbonization of New Mexico’s natural gas infrastructure system. This measure also empowers community-serving institutions (including local government agencies, schools, and other entities without tax liability) to electrify their buildings, supporting decarbonization and enabling further investments to achieve resilience goals like providing warming and cooling centers. Lastly, the measure supports these actions through the development of a technical assistance dashboard that will include a best practices and case study repository for building owners and recipients of grants/rebates. Electrifying space and water heating in buildings addresses the largest source of building sector emissions. Currently 23% of New Mexico homes and 15% of commercial buildings use electricity for heating. Decarbonizing natural gas utility operations by transitioning from gas sales to thermal energy sales has been established as a viable transition pathway. Under this new model, utilities would continue to own distribution infrastructure to serve existing customers but would deliver a networked working fluid (e.g., water) that allows heat pumps in each customer’s building to transfer heat to meet their heating and cooling demands at a much greater efficiency and without combustion emissions. In developing this measure, the CAP Team did not consider alternative gas delivery options such as renewable natural gas, hydrogen, or others given their relatively high cost, other implementation barriers, and limited emission reduction capability. Technical assistance

dashboards have been deployed by numerous states and localities to aggregate resources for various types of building owners and residents. These resources can speed and expand adoption.

Economic Analysis

To electrify homes costs roughly \$20,000 per home according to assumptions used in CAP, and rebates¹²⁴ are available for some homeowners based on income levels. We assumed an average federal rebate level of 30%. To reach the goal outlined by this measure would require an additional 10% of homes converted to electricity, which would be 97,415 homes based on current housing supply.¹²⁵

The estimated cost of homeowners to complete these upgrades is \$1,363,810,000, with incentives from the federal government of \$642,944,280. Electrifying home appliances adds roughly the same amount of power requirements as an electrical vehicle, and using BCG grid investment assumptions, utility companies would need to spend an additional \$365,306,250 to support this measure.¹²⁶ Given the variability of commercial properties, estimates were not made for commercial upgrades.

Table B.2.1. Implementation Cost Estimates for B-2

Payer	Implementation Costs
State	\$27,152,000
Federal	\$642,944,280
Private	\$1,729,116,250
Homeowners	\$1,363,810,000
Electric Utilities	\$365,306,250
Total	\$2,340,758,250

To estimate the economic impact of implementing B-2, we considered the additional private and federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table B.2.2. We assumed the appliances and electrification equipment would be sourced out of state, while installation, electrical upgrades, and local contractor services occur in New Mexico. Based on available sources, we estimated a 33% local purchase percentage for building upgrades and 100% local purchase percentage for electrical upgrades.¹²⁷

¹²⁴ (Energy Conservation and Management, 2026)

¹²⁵ (United States Census, 2025)

¹²⁶ (Sahoo et al., 2019)

¹²⁷ (Texas Temp Masters, 2025)

Table B.2.2. IMPLAN Inputs for B-2

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Home electrification capital expenditures ¹²⁸	\$642,939,000	\$25,717,560	56-Maintenance and repair construction of residential structures	2026-2050
Electric utility capital expenditures	\$365,306,250	\$14,612,250	47-Construction of new power and communication structures	2026-2050

Recommended Modifications

A recommended modification for this measure is to provide a bonus incentive to electrification projects that utilize a certain percentage of New Mexico produced components and equipment. Given the size and duration of the investment planned by the state, such an incentive could help attract appliance and electrification equipment manufacturers. Table B.2.3 shows updated economic impact inputs assuming 20% of appliances and electrification equipment for the measure's electrification projects would be produced in New Mexico based on this recommended modification.

Table B.2.3. IMPLAN Inputs for Modified B-2

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Home electrification capital expenditures ¹²⁹	\$642,939,000	\$25,717,560	56-Maintenance and repair construction of residential structures	2026-2050
Electric utility capital expenditures	\$365,306,250	\$14,612,250	47-Construction of new power and communication structures	2026-2050
Appliance and electrification equipment manufacturing in New Mexico	\$261,072,200	\$10,442,888	299-Other electronic component manufacturing	2026-2050

¹²⁸ 33% Local Purchase Percentage applied.

¹²⁹ 33% Local Purchase Percentage applied.

B-3: Improve Energy Affordability and Reliability

Measure Summary

This measure improves energy affordability and reliability for NPTs, with a focus on remote communities. It ensures that building-related energy projects, such as home weatherization and heat pump installation, are accessible to Tribal citizens. By making these resources available, the measure helps reduce household energy costs and supports more reliable access to efficient heating and cooling, directly benefiting the day-to-day energy needs of Tribal communities.

Economic Analysis

To install heat pumps with associated electrical upgrades comprises the bulk of the cost to electrify homes costs which is roughly \$20,000 per home¹³⁰, and rebates¹³¹ are available for some homeowners based on income levels. We assumed an average federal rebate level of 30%. This measure targets weatherizing 1,000 homes which we assume to be fully covered for homeowners via existing programs.¹³² Additional 1,000 heat pump installations are targeted. Using the same assumptions as our B-2 analysis, we estimate a private implementation cost of \$17,750,000 and a federal cost of \$6,000,000. State costs are estimated to be \$55,527,000.

Table B.3.1. Implementation Cost Estimates for B-3

Payer	Implementation Costs
State	\$55,527,000
Federal	\$6,000,000
Private	\$17,750,000
Homeowner Costs	\$14,000,000
Electric Utilities	\$3,750,000
Total	\$79,277,000

To estimate the economic impact of implementing B-3, we considered the additional private and federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table B.3.2.

We assumed the appliances and electrification equipment would be sourced out of state, while installation, electrical upgrades, and local contractor services occur in New Mexico.

¹³⁰ (Texas Temp Masters, 2025)

¹³¹ (Energy Conservation and Management, 2026)

¹³² (Housing New Mexico, 2026)

Based on available sources, we estimated a 33% local purchase percentage for building upgrades and 100% local purchase percentage for electrical upgrades.¹³³

Table B.3.2. IMPLAN Inputs for B-3

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Home electrification capital expenditures ¹³⁴	\$6,600,000	\$660,000	56-Maintenance and repair construction of residential structures	2026-2035
Electric utility capital expenditures	\$3,750,000	\$375,000	47-Construction of new power and communication structures	2026-2035

B-4: Improve Residential Weatherization Program Eligibility

Measure Summary

This measure prepares homes and schools for full weatherization by addressing structural, health, and safety issues that would otherwise prevent participation in weatherization programs. It scales up a pre-weatherization incentive program for low-income New Mexicans by supporting structural repairs and home health remediation. By enabling previously deferred or ineligible homes to access weatherization, energy efficiency upgrades, electrification, and renewable generation incentives, the measure ensures that more households can benefit from reduced energy costs, improved comfort, and safer, healthier living environments across the state.

Economic Analysis

The requirements to complete this measure appear to be directly funded, so no additional implementation costs are expected beyond the state allocation of \$29,742,000. For this reason, no economic impacts were estimated for this measure.

¹³³ (Texas Temp Masters, 2025)

¹³⁴ 33% Local Purchase Percentage applied.

Table B.4.1. Implementation Cost Estimates for B-4

Payer	Implementation Costs
State	\$29,742,000
Federal	\$0
Private	\$0
Total	\$29,742,000

B-5: Incentivize Whole-Home Electrification

Measure Summary

This measure builds on the success of New Mexico's Sustainable Building Tax Credit (SBTC) to incentivize and facilitate whole-home electrification across New Mexico. It provides targeted rebates and support programs, ensuring that LIDACs can easily participate. By making the process straightforward and accessible, the measure helps households transition from fossil-fuel-based systems to electric heating, cooling, and appliances, reducing energy costs, lowering GHG emissions, and supporting a cleaner, more efficient building stock statewide.

Economic Analysis

Using assumptions from Measure B-2, we expect 30% coverage from federal incentives to electrify homes. We assume the remaining 70% will be covered through state incentives funded by the measure. The measure targets electrification of 1,500 homes, which when grid infrastructure upgrades are factored in, would have a total implementation cost of \$44,897,000.

Table B.5.1. Implementation Cost Estimates for B-5

Payer	Implementation Costs
State	\$30,272,000
Federal	\$9,000,000
Private	\$5,625,000
Homeowner Costs	\$0
Electric Utilities	\$5,625,000
Total	\$44,897,000

To estimate the economic impact of implementing B-5, we considered the additional private and federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table B.5.2. We assumed the appliances and electrification equipment would be sourced out of state, while installation, electrical upgrades, and local contractor services occur in New Mexico. Based on available sources, we estimated a 33% local purchase percentage for building upgrades and 100% local purchase percentage for electrical upgrades.¹³⁵

Table B.5.2. IMPLAN Inputs for B-5

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Home electrification capital expenditures ¹³⁶	\$2,970,000	\$297,000	56-Maintenance and repair construction of residential structures	2026-2035
Electric utility capital expenditures	\$5,625,000	\$562,500	47-Construction of new power and communication structures	2026-2035

B-6: Improve Transportation Equity in Multifamily Housing

Measure Summary

This measure promotes transportation equity by incentivizing the installation of EVSE, or EV chargers, in new and existing multifamily housing, which makes up 16% of New Mexico’s housing stock. Providing access to EVSE for residents of multifamily housing lowers the barrier for residents to transition from ICE vehicles to EVs. This measure supplements EV-ready infrastructure installations for multifamily buildings and other building types as part of new construction and major modernizations, addressed in Measure B-1.

Economic Analysis

This measure targets EV chargers in new multifamily housing for the period 2027-2030. Assuming 1,500 new multifamily permits per year and average size of 2 units, this would add chargers to 3,000 units per year for this four-year period. Using the approach outlined from Measure B-1 and an adjusted assumption of a 5% housing price increase due to assumed economies of scale in multifamily installations, we assumed a housing supply

¹³⁵ (Texas Temp Masters, 2025)

¹³⁶ 33% Local Purchase Percentage applied.

elasticity for New Mexico of 2.0, implying the 5% price increase would lead to 10% reduction in housing supply due to lower demand for housing at the higher price point.

We assumed additional new homebuyer costs of \$186,300,000, and required grid investments of \$40,500,000. The measure estimates \$9,992,000 in state funding for program and policy implementation.

Table B.6.1. Implementation Cost Estimates for B-6

Payer	Implementation Costs
State	\$9,992,000
Federal	\$0
Private	\$226,800,000
Homeowner Costs	\$186,300,000
Electric Utilities	\$40,500,000
Total	\$236,792,000

To estimate the economic impact of implementing B-6, we considered the additional private investments and changes in industry activity as a result of complying with this measure and attributed these investments to the IMPLAN industry codes shown in Table B.6.2. The 5% price increase in housing cost is expected to lead to an activity reduction of \$56,925,000 per year, or \$227,700,000 over 4 years in private residential construction in New Mexico based on available elasticity measures. The required private investments for electric utilities represent new spending. We assumed 100% local purchase percentage for electric utility expenditures.

Table B.6.2. IMPLAN Inputs for B-6

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Reduction in residential construction in New Mexico	-\$227,700,000	-\$56,925,000	53-Construction of new multifamily residential structures	2027-2030
Electric utility capital expenditures	\$40,500,000	\$10,125,000	47-Construction of new power and communication structures	2027-2030

Recommended Modifications

A recommended modification for this measure is to provide developer or homeowner incentives to reduce the cost of adding electric vehicles charger equipment. The goal of the developer incentive should be to make it cost neutral to consumer value of the charging equipment or electric vehicle capable wiring, so adding charging equipment is less onerous. Using an incentive structure as opposed to mandates avoids housing cost increases, and resulting declines in new home construction and housing availability.

Table B.6.3. IMPLAN Inputs for Modified B-6

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Electric utility capital expenditures	\$40,500,000	\$10,125,000	47-Construction of new power and communication structures	2027-2030

B-7: Pilot Community-Scale Geothermal Networks

Measure Summary

This measure will establish a pilot program for standalone or interconnected community-scale geothermal networks in the public ROW that enable residents and businesses to opt-in to connect to a shared geothermal ground loop to heat and cool their buildings. The pilot will support the scaling of geothermal networks by demonstrating new utility business models. It will also document best practices and identify customer benefits. These networks connect diverse building types and allow heat pumps to efficiently heat and cool individual buildings, while also sharing heat between buildings with different load profiles. Geothermal network projects can be delivered as part of new planned communities, as a replacement for or addition to existing natural gas distribution infrastructure owned by the utility, or by other means.

Economic Analysis

This measure focuses on pilot implementation of geothermal networks, so no significant additional private costs are expected or estimated. For this reason, no economic impacts were estimated for this measure.

Table B.7.1. Implementation Cost Estimates for B-7

Payer	Implementation Costs
State	\$300,000
Federal	\$0
Private	\$0
Total	\$300,000

Waste and Materials Management Measures (WM)

Proposed waste and materials management measures seek to expand conventional recycling and organic recycling, capture landfill gases from landfills and biogas from wastewater treatment facilities, encourage adaptive reuse of existing buildings, improve proper disposal of refrigerant gases, and support the use of low-embodied carbon construction materials in public buildings. Estimated implementation costs of proposed waste and materials management measures are presented in Table WM.1. Figure WM.1 shows the impact these measures are estimated to have on New Mexico GDP. Figure WM.2 shows the impact these measures are estimated to have on New Mexico GDP with recommended modifications.

Table WM.1. Estimated Implementation Costs of Waste and Materials Management Measures, 2026-2050

Measure	State	Private	Federal	Total
WM-1: Waste Prevention and Diversion	\$731,265,000	\$621,512,804	\$0	\$1,352,777,804
WM-2: Organic Waste Prevention and Diversion	\$696,638,000	\$547,963,875	\$0	\$1,244,601,875
WM-3: Methane Recovery	\$4,434,000	\$32,000,000	\$32,000,000	\$68,434,000
WM-4: Reduce Wastewater Methane Emissions	\$5,756,000	\$375,000,000	\$375,000,000	\$755,756,000
WM-5: Promote Building Reuse	\$159,047,000	\$0	\$0	\$159,047,000
WM-6: Refrigerant Gas Removal and Disposal	\$4,086,000	\$0	\$0	\$4,086,000
WM-7: Promote Low-Embodied Carbon Construction Materials	\$4,865,000	\$0	\$0	\$4,865,000
Total	\$1,606,091,000	\$1,576,476,679	\$407,000,000	\$3,589,567,679

Figure WM.1. Estimated New Mexico GDP Impact, Waste and Materials Management Measures, 2026-2050

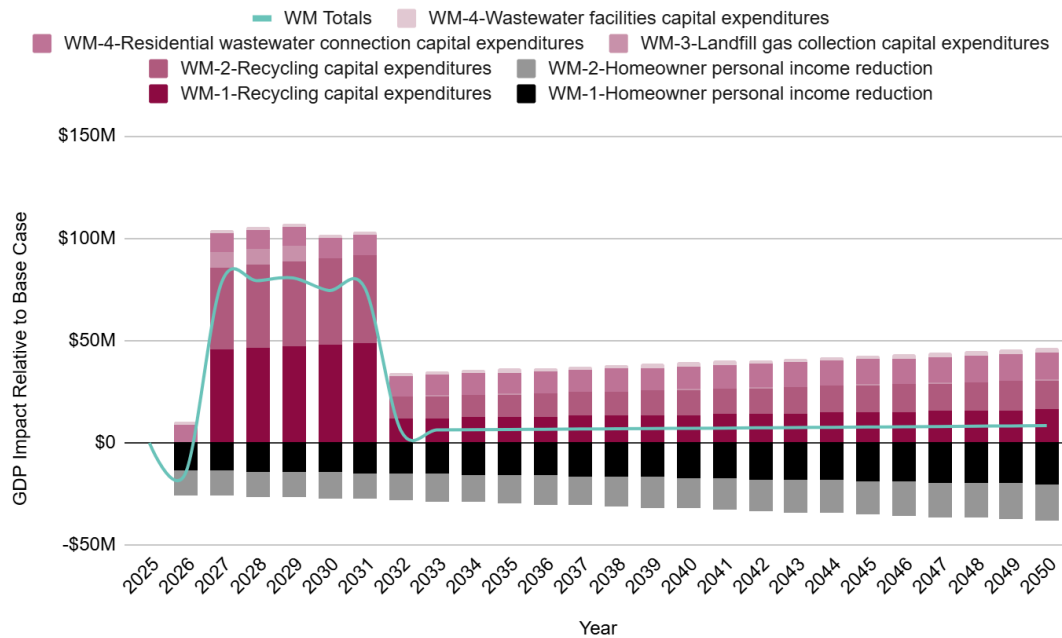
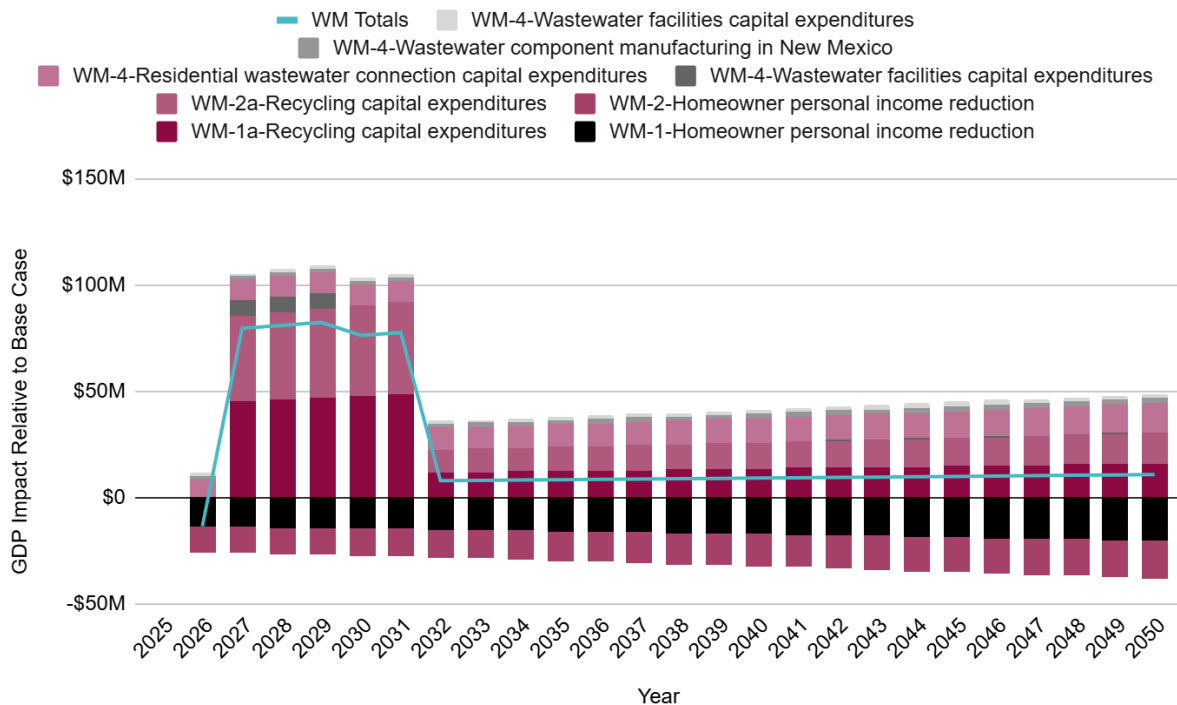


Figure WM.2. Estimated New Mexico GDP Impact, Modified Waste and Materials Management Measures, 2026-2050



The subsections below present a summary and the economic analysis of each waste and materials management measure. Implementation cost estimates for each of these measures are shown in Tables WM.1 through WM.7.

WM-1: Waste Prevention and Diversion

Measure Summary

This measure implements a statewide waste prevention and recycling standardization toolkit for all waste streams generated throughout New Mexico, including domestic, commercial, agricultural, industrial, and construction/demolition wastes. This measure also includes the statewide development and implementation of extended producer responsibility (EPR) recycling programs for three specific waste streams: mattresses, tires, and lithium-ion batteries.

Economic Analysis

This measure proposes expanded waste prevention and recycling standardization to support long-term benefits like reduced landfill methane and economic growth from recycling jobs. CAP estimates total costs are \$731,265,000, mostly for operating and maintenance costs, and the remainder for program and policy implementation.

Table WM.1.1. Implementation Cost Estimates for WM-1

Payer	Implementation Costs
State	\$731,265,000
Federal	\$0
Private	\$621,512,804
Homeowner costs	\$621,512,804
Total	\$1,352,777,804

There may be federal support for this initiative as well, however no assumptions we made about the federal coverage for this effort. If federal funding can be applied to support jobs, or if these efforts can reduce costs or create new revenue streams greater than their costs, this measure will result in net job creation. Currently 56% of New Mexico households have access to curbside recycling. Recycling profitability varies significantly based on prices of recycled materials. An example in Dallas estimated the additional cost of households is \$58/year to support recycling operations. Assuming the remaining 44% of New Mexico's 974,158 households gain access to curbside recycling, the estimated additional homeowner costs over 25 years are estimated at \$621,512,804.

To estimate the economic impact of implementing WM-1, we considered the additional private investments and personal income effects from complying with this measure and attributed these effects to the IMPLAN industry codes shown in Table WM.1.2. We assumed the recycling equipment and materials would be sourced out of state, while installation, operations, and local contractor services occur in New Mexico. Using detailed cost breakdowns for Material Recovery Facility (MRF) retrofits and recycling infrastructure upgrades, we assumed an 85% local purchase percentage.¹³⁷ We assumed 50% of capital expenditures by 2031, then the rest evenly distributed through 2050. We assumed household income losses equal to the expected additional utility costs.

Table WM.1.2. IMPLAN Inputs for WM-1

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Recycling capital expenditures ¹³⁸	\$528,285,883	\$52,828,588/year 2027-2031; \$13,902,260/year 2032-2050	461-Waste management and remediation services	50% 2027-2031, 50% 2032-2050
Homeowner personal income reduction	-\$621,512,804	-\$24,860,512	10001-10009 Household Income	2026-2050

WM-2: Organic Waste Prevention and Diversion

Measure Summary

This measure involves the implementation of a holistic statewide program focused on increasing the rate of organic waste and food waste prevention and diversion. This program implements initiatives that increase organic waste and food waste source reduction and diversion practices, promote food donation through tax incentives, provide food donation safety guidance, and implement possible mandatory donation and reporting requirements, while encouraging organic waste processing infrastructure development at all scales through providing education, resources, and funding.

Economic Analysis

This measure proposes expanded organic waste prevention and diversion to support long-term benefits like reduced GHG emission from reduced organic landfill waste and economic growth from recycling jobs. CAP estimates total costs at \$696,638,000, mostly

¹³⁷ (HDR Engineering, Inc., 2025)

¹³⁸ 85% Local Purchase Percentage applied.

for operating and maintenance costs, and the remainder for program and policy implementation.

Table WM.2.1. Implementation Cost Estimates for WM-1

Payer	Implementation Costs
State	\$696,638,000
Federal	\$0
Private	\$547,963,875
Homeowner costs	\$547,963,875
Total	\$1,244,601,875

There may be federal support for this initiative as well; however, we made no assumptions about the federal coverage for this effort. If federal funding can be applied to support jobs, or if these efforts can reduce costs or create new revenue streams greater than their costs, this measure will result in net job creation. Organic recycling can have better long-term economics than standard recycling due to the volume of waste diverted from landfills. However, there is typically an additional charge applied to homeowners to implement organic waste diversion programs, and in Austin it was an additional \$45/year.¹³⁹ It appears there are no public curbside organic recycling programs currently in New Mexico, although some pilots have started.¹⁴⁰ The measure targets a 50% reduction in organic waste to landfills. We assume 50% of New Mexico's 974,158 households gain access to curbside organics recycling and that additional costs will add \$45/year per household. Over 25 years this measure is estimated to cost homeowners an additional \$547,963,875.

To estimate the economic impact of implementing WM-2, we considered the additional private investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table WM.2.2. We assumed the recycling equipment and materials would be sourced out of state, while installation, operations, and local contractor services occur in New Mexico. Using detailed cost breakdowns for Material Recovery Facility (MRF) retrofits and recycling infrastructure upgrades¹⁴¹, we assumed an 85% local purchase percentage. We assumed 50% of capital expenditures by 2031, then the rest evenly distributed through 2050. We assumed household income losses equal to the expected additional utility costs.

¹³⁹ (Somers, 2025)

¹⁴⁰ (Sosa, 2023)

¹⁴¹ (HDR Engineering, Inc., 2025)

Table WM.2.2. IMPLAN Inputs for WM-2

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Recycling capital expenditures ¹⁴²	\$465,769,294	\$46,576,929/year 2027-2031; \$12,257,087/year 2032-2050	461-Waste management and remediation services	50% 2027-2031, 50% 2032-2050
Homeowner personal income reduction	-\$547,963,875	-\$21,918,555	10001-10009 Household Income	2026-2050

WM-3: Methane Recovery

Measure Summary

This measure aims to increase CH₄ recovery at landfill sites throughout New Mexico. This objective involves improving CH₄ recovery at landfill sites with existing landfill gas collection and control systems (GCCSs) by optimizing gas collection efficiency and implementing early gas collection within the active/working face areas of open landfills. Additionally, this measure provides an estimate for how much emissions could be reduced by installing GCCSs and implementing gas collection optimization practices and early collection at landfill sites that do not currently have GCCSs or use those practices.

Economic Analysis

The costs outlined focus on program and policy implementation. The measure does not provide funding for installation of gas collection systems. These systems cost roughly \$32,000 per acre and can be profitable from gas sales in some circumstances, but not all.¹⁴³

Table WM.3.1. Implementation Cost Estimates for WM-3

Payer	Implementation Costs
State	\$4,434,000
Federal	\$32,000,000
Private	\$32,000,000
Solid Waste Utilities	\$32,000,000
Total	\$68,434,000

¹⁴² 85% Local Purchase Percentage applied.

¹⁴³ (United States Environmental Protection Agency, 2024)

Incentives are important to avoid increased waste management costs, which would subsequently raise costs for customers. Some recommendations include modular implementation to install gas collection systems on areas releasing the most gas, rather than single large installations. Assuming an average facility size of 100 acres, and 20 facilities can be upgraded, the estimated capital cost for these upgrades is \$64,000,000. Federal funding programs are typically available for these investments and 50% federal coverage is assumed.

To estimate the economic impact of implementing WM-3, we considered the additional private and federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table WM.3.2. We assumed the gas collection equipment and materials would be sourced out of state, while installation, operations, and local contractor services occur in New Mexico. Using detailed cost breakdowns for landfill gas collection systems, we apply a 40% local purchase percentage.¹⁴⁴ Since these systems are often profitable, there is no increase to any private payer cost structure expected that would lead to activity reduction.

Table WM.3.2. IMPLAN Inputs for WM-3

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Landfill gas collection capital expenditures ¹⁴⁵	\$25,600,000	\$8,533,333	461-Waste management and remediation services	2027-2029

WM-4: Reduce Wastewater Methane Emissions

Measure Summary

This measure reduces CH₄ emissions from both domestic and industrial wastewater sources. For domestic sources, this measure involves two key actions: upgrading existing centralized treatment plants to include biogas recovery and utilization and connecting homes with septic systems to centralized plants equipped for the same. For industrial sources, this measure involves upgrading wastewater treatment processes to include anaerobic treatment with biogas recovery, followed by a final aerobic treatment stage.

¹⁴⁴ (Landfill Methane Outreach Program (LMOP), 2021)

¹⁴⁵ 40% Local Purchase Percentage applied.

Economic Analysis

Assuming 40% of the 105 NPDES Facilities¹⁴⁶ in New Mexico are upgraded with biogas recovery through aerobic wastewater treatments at an average cost of \$2,500,000 each¹⁴⁷, the total capital cost would be \$105,000,000. Some of these upgrades can be viable due to gas revenue, and incentives help to make them even more attractive.¹⁴⁸

Assuming 40% of New Mexico's approximately 215,000 septic systems¹⁴⁹ are upgraded to sewer at an estimated cost of \$7,500 each¹⁵⁰, the total capital cost will be \$645,000,000.

Federal funding programs are typically available for these investments and 50% federal coverage is assumed.

Table WM.4.1. Implementation Cost Estimates for WM-4

Payer	Implementation Costs
State	\$5,756,000
Federal	\$375,000,000
Private	\$375,000,000
Wastewater Utilities	\$375,000,000
Total	\$755,756,000

To estimate the economic impact of implementing WM-4, we considered the additional private and federal investments made to comply with this measure and attributed these investments to the IMPLAN industry codes shown in Table WM.4.2. We assumed the equipment and materials would be sourced out of state, while installation, operations, and local contractor services occur in New Mexico. Using detailed cost breakdowns for landfill gas collection systems, we apply a 40% local purchase percentage.¹⁵¹ Since the program appears to be voluntary and/or financially viable, no increase to any private payer cost structure is expected that would lead to activity reduction.

¹⁴⁶ (United States Environmental Protection Agency, 2025)

¹⁴⁷ (SAMCO Technologies, 2026)

¹⁴⁸ (Schmidt, 2025)

¹⁴⁹ (New Mexico Section of the American Society of Civil Engineers, 2012)

¹⁵⁰ (Burgun, 2023)

¹⁵¹ (Landfill Methane Outreach Program (LMOP), 2021)

Table WM.4.2. IMPLAN Inputs for WM-4

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Wastewater facilities capital expenditures ¹⁵²	\$42,000,000	\$1,680,000	461-Waste management and remediation services	2026-2050
Residential wastewater connection capital expenditures ¹⁵³	\$258,000,000	\$10,320,000	461-Waste management and remediation services	2026-2050

Recommended Modifications

A recommended modification for this measure is to provide a bonus incentive to wastewater projects that utilize a certain percentage of New Mexico produced components and equipment. Given the size and duration of the investment planned by the state, such an incentive could help attract wastewater component manufacturers. Table WM.14.3 shows updated economic impact inputs assuming 20% of wastewater components and equipment for the measure's wastewater projects would be produced in New Mexico based on this recommended modification.

Table WM.4.3. IMPLAN Inputs for Modified WM-4

Category	Total	Annual	IMPLAN Industry	Timing Assumption
Wastewater facilities capital expenditures ¹⁵⁴	\$42,000,000	\$1,680,000	461-Waste management and remediation services	2026-2050
Residential wastewater connection capital expenditures ¹⁵⁵	\$258,000,000	\$10,320,000	461-Waste management and remediation services	2026-2050
Wastewater component manufacturing in New Mexico	\$90,000,000	\$3,600,000	234-Metal tank (heavy gauge) manufacturing	2026-2050

¹⁵² 40% Local Purchase Percentage applied.

¹⁵³ 40% Local Purchase Percentage applied.

¹⁵⁴ 40% Local Purchase Percentage applied.

¹⁵⁵ 40% Local Purchase Percentage applied.

WM-5: Promote Building Reuse

Measure Summary

This measure examines the potential reduction in GHG emissions by promoting building reuse across the state of New Mexico. This initiative focuses on reducing construction and demolition debris (C&D) waste by avoiding excess construction and demolition for new and renovated buildings, which also preserves the embodied energy of existing buildings and lowers the carbon footprint associated with new construction.

Economic Analysis

Adaptive reuse has the potential to reduce costs by reducing building materials, and can create unique spaces that build on historical structure.¹⁵⁶ However, there are generally obstacles and risks associated with adaptive reuse projects such as challenges with conventional financing and meeting modern building codes. Adaptive reuse projects require strong governmental support to overcome these obstacles and risks inherent to adaptive reuse. The bulk of estimated costs are borne by the state for operations and maintenance. No private investment is assumed because the initiative does not mandate new investments, rather provides incentives for projects by providing support for viability, which may lower building costs. For that reason, no economic impacts were estimated for this measure.

Table WM.5.1. Implementation Cost Estimates for WM-5

Payer	Implementation Costs
State	\$159,047,000
Federal	\$0
Private	\$0
Total	\$159,047,000

WM-6: Refrigerant Gas Removal and Disposal

Measure Summary

This measure promotes proper refrigerant gas removal and disposal from used appliances at their end-of-life to reduce fugitive refrigerant emissions and assesses the potential impact of a statewide program focusing on this objective.

¹⁵⁶ (Trost, 2026)

Economic Analysis

Administrative cost of this measure is expected to be borne by the state government. Additional costs for removal and disposal would be borne by solid waste utilities, but would likely be recovered through higher fees, or potentially through extended producer responsibility and incentives. Jobs are expected to be created from increased recycling work requirements and these can be counted as net new jobs if funded by out-of-state sources. No economic impacts were estimated for this measure because no private or federal expenditures are expected to be required.

Table WM.6.1. Implementation Cost Estimates for WM-6

Payer	Implementation Costs
State	\$4,086,000
Federal	\$0
Private	\$0
Total	\$4,086,000

WM-7: Promote Low-Embodied Carbon Construction Materials

Measure Summary

This measure supports the use of low-embodied carbon construction materials in public buildings across the state. It provides guidance, resources, and best practices to help agencies and project teams select materials with fewer GHG emissions over their life cycle. By promoting the adoption of these materials in publicly funded construction projects, the measure reduces the carbon footprint of state and local infrastructure while advancing more sustainable, climate-conscious building practices.

Economic Analysis

This measure mostly impacts public buildings and it's unclear whether it will make public building costs higher or lower, so it is assumed to be neutral. Only estimated administrative costs are included in our estimate. For that reason, no economic impacts were estimated for this measure.

Table WM.7.1. Implementation Cost Estimates for WM-7

Payer	Implementation Costs
State	\$4,865,000
Federal	\$0
Private	\$0
Total	\$4,865,000

Alternative Implementation Scenario (EW)

EW-1: Establish a Cap-and-Invest Program

Measure Summary

This measure establishes a cap-and-invest program designed to reduce CO₂ and CH₄ emissions in the electricity generation, oil and gas, and industrial (other) sectors. A declining limit (cap) based on a 2023 emissions baseline is set on total emissions in the covered sectors. The emissions threshold for entities subject to the cap-and-invest program is 10,000 MTCO₂e annually. Starting in 2030 and continuing through 2050, the cap is reduced annually to ensure steady progress toward the state's climate goal. Based on the cap for a given year, allowances representing one MTCO₂e of emissions are auctioned by the implementing agency(ies) to covered entities. Covered entities must hold an allowance for every MTCO₂e they emit. Revenue generated from allowance purchases is available to the implementing agency(ies) to invest in activities to be determined by rule.

Economic Analysis

The cap-and-trade scenario assumes that revenue generated from carbon allowance auctions accrues to the state and is not redistributed to households or firms. In some jurisdictions, a portion of the implementation costs associated with similar carbon pricing programs has been mitigated by revenue recycling, whereby allowance revenues are returned to the economy to offset increased costs. However, no form of revenue recycling is assumed in this analysis.¹⁵⁷

We model a reduction in GHG emissions of 315,202,614 MT CO₂e. Assuming an average cost per MT CO₂e credit of \$40¹⁵⁸, this reduction would require a private tax of \$12,608,104,560. This estimate should be interpreted as an upper bound, as it assumes fixed credit prices and no substitution toward lower-cost abatement. In practice, firms are expected to pursue least-cost compliance strategies, including investments that reduce the need to purchase credits. Studies have found 60-80% of carbon emissions could be reduced by mitigating methane emissions for \$12 per MT CO₂e, which implies mitigation investments are viable at our assumed tax of \$40 per MT CO₂e.¹⁵⁹ We assumed mitigation investments of 4% per year starting in 2030 at a cost of \$12 per MT CO₂e mitigated. We assumed a 60% local purchase percentage on these mitigation investments.

¹⁵⁷ (Känzig & Konradt, 2023)

¹⁵⁸ (Roy & Dolphin, 2025)

¹⁵⁹ (Marks, 2022); (Aldy et al., 2025)

Expenditures on carbon credits represent a new cost of doing business. Firms may respond by adjusting operations, reducing in-state activity, or relocating production, with implications for New Mexico’s competitiveness—particularly given the absence of comparable policies in neighboring states.

Empirical evidence indicates that carbon pricing can have measurable macroeconomic effects, especially in the absence of revenue recycling. Studies of European carbon pricing policies have found real GDP declines of approximately 1% after four years without revenue recycling. Similarly, a Tax Foundation analysis of a \$50 per ton carbon tax in the United States estimates a 1.7% reduction in after-tax income, with larger proportional impacts on lower-income households when revenues are not recycled.¹⁶⁰ Consistent with this literature, and given that no revenue recycling is assumed, we apply a 1% reduction in personal income.

To reflect price pass-through effects, we assume a 14% increase in electricity prices, a 10% increase in fuel prices, and a 1% increase in other goods and services.¹⁶¹ Estimated implementation costs of a cap-and-invest program over a 25-year horizon are presented in Table EW.1.1.

**Table EW.1.1. Implementation Cost Estimates for
EW-1: Cap-and-Invest Program, 2026-2050**

Payer	Implementation Costs
State	-\$6,970,538,554
Administration Costs	\$90,000,000
Carbon Allowance Revenue	-\$7,060,538,554
Federal	\$0
Private	\$66,908,341,353
Private Industry: Negative Shock	\$7,060,538,554
Homeowners: Higher Electricity Prices	\$658,239,397
Homeowners: Higher Fuel Prices	\$6,166,242,621
Homeowners: Goods & Services Inflation less Electricity and Fuel	\$19,844,817,428
Homeowners: Personal Income Losses	\$33,087,725,000
Private Industry: Mitigation Investments	\$90,778,353
Total	\$59,937,802,799

¹⁶⁰ (Pomerleau & Asen, 2019)

¹⁶¹ (Goulder et al., 2018)

Figure EW.1.1 shows the job impacts of the alternative implementation scenario, and Figure EW.1.2 shows the impacts to New Mexico GDP. Both of these figures show negative outcomes relative to the base case, as the negative shock from the carbon tax without revenue recycling sets back the growth trajectory of the state significantly. Negative effects contract as mitigation investments are made. Figure EW.1.3 shows tax revenues for state, local and federal levels. State tax collections are positive due to roughly \$600 million in new tax revenue in 2030 from the carbon tax outlined in the alternative implementation scenario. Tax revenue from the alternative implementation scenario declines as mitigation investments are made.

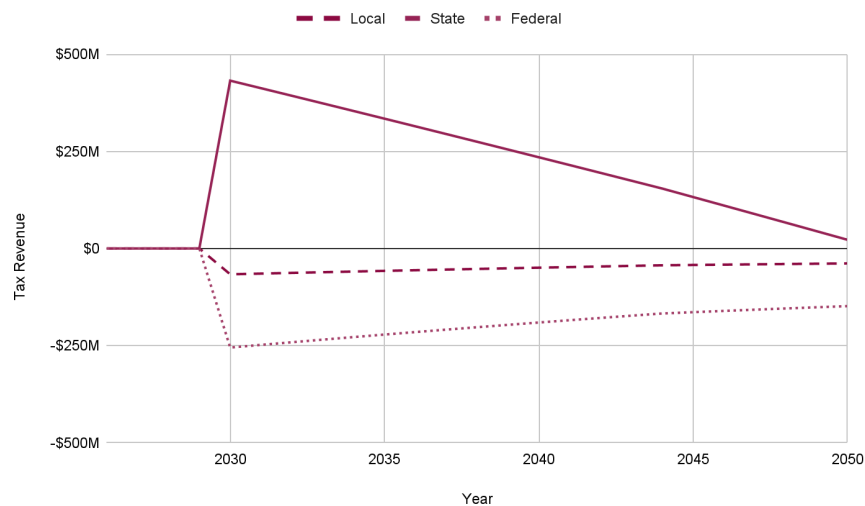
Figure EW.1.1. Job Impacts of EW-1: Cap-and-Invest Program, 2026-2050



Figure EW.1.2. New Mexico GDP Impacts of EW-1: Cap-and-Invest Program, 2026-2050



Figure EW.1.3. Tax Impacts of EW-1: Cap-and-Invest Program



Recommended Modifications

Carbon taxes provide a powerful incentive to make investments to mitigate GHG emissions. However, without revenue recycling the negative shock of a new carbon tax is severe. Therefore, we recommend revenue recycling for any implementation of a carbon tax or cap-and-invest system.

With revenue recycling, studies of European carbon taxes show shocks to GDP can be reduced from 1% to .25% declines in GDP.¹⁶² Similarly shocks to prices are reduced roughly 75%.¹⁶³ Personal income impacts vary with the design of the revenue cycling and effects may be uneven, however for our analysis of the impacts of a modified cap-and-invest system, we assume revenue recycling would reduce personal income losses 75% as well.

Studies of a British Columbia's revenue neutral carbon tax show many interesting implications. Overall employment increased, but it decreased in carbon intensive industries, which is an important consideration based on the importance of the oil and gas industry in New Mexico.¹⁶⁴ While the revenue recycling scheme was progressive, the potential of a regressive impact on households depends on the impact of the carbon tax on electricity prices, which would vary by the energy mix where the carbon tax is implemented.¹⁶⁵

¹⁶² (Känzig & Konradt, 2023)

¹⁶³ (Känzig & Konradt, 2023)

¹⁶⁴ (Yamazaki, 2017, 197-216); (Kumbhakar et al., 2022)

¹⁶⁵ (Beck et al., 2015, 40-69)

Careful consideration of the revenue recycling design is critical. Even if overall impacts are moderated through revenue recycling, individual and specific industry impacts could vary significantly, and equity of the revenue recycling should be a central consideration of the design of the system. Figures EW.1.4-5 show the impacts of this measure with our recommended modifications.

Figure EW.1.4. Job Impacts of Modified EW-1: Cap-and-Invest Program, 2026-2050

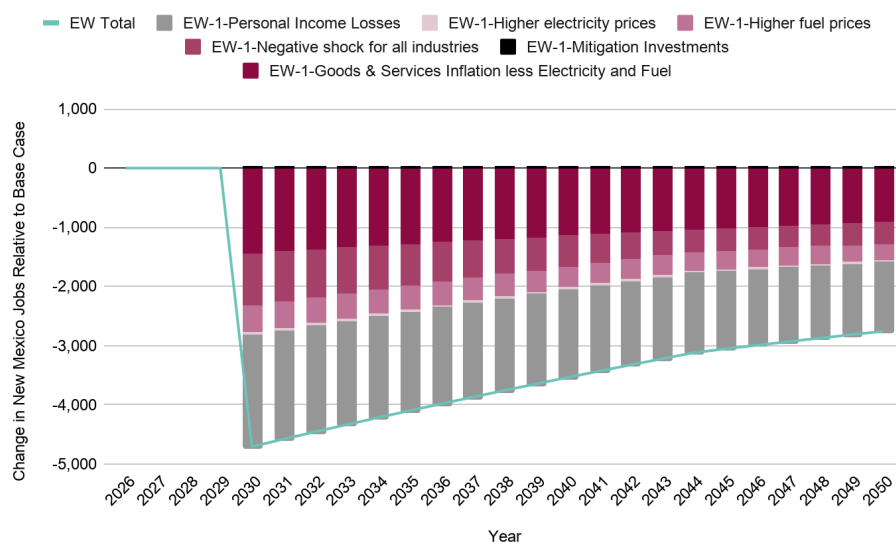
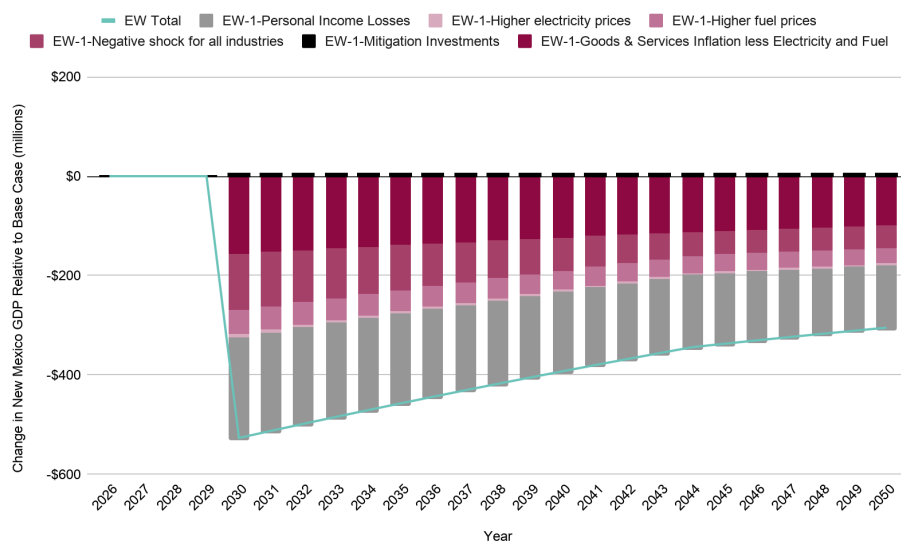


Figure EW.1.5. New Mexico GDP Impacts of Modified EW-1: Cap-and-Invest Program, 2026-2050



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