INDEPENDENT PETROLEUM ASSOCIATION OF NEW MEXICO

Greenhouse Gas Issue in New Mexico

During the waning days of the Richardson Administration, the New Mexico Environment Department passed three regulations that seek to create a cap and trade greenhouse gas (GHG) program in New Mexico. The first rule would create the cap and trade program in partnership with California. GHG emitters in the oil and gas and electricity sectors would be required to reduce emissions by 16 percent from 2010 levels by 2020. Emitters unable to reduce to the prescribed levels would need to purchase market based offsets, credits and allowances. The second rule would require costly monitoring and reporting of GHG levels emitted by oil and gas operators. The third rule is a stop gap rule requested by the environmental community that would only impact New Mexico oil and gas and electricity generators and would tax or fine operators for not meeting a 24 percent reduction level from 2010 levels by 2020. Opposition by the Independent Petroleum Association of New Mexico (IPANM) and several electric generators, including Public Service Company of New Mexico, was based on the lack of established science, and any reductions or even elimination of New Mexico's GHGs would have no impact on global emissions levels.

The greenhouse gas issue is a complex subject that has been in the national spotlight for several years. The proponents of the Climate Change theory claim there has been a marked increase in the levels of GHGs in the atmosphere since the Industrial Revolution. The opponents to the climate change debate say that although there might be a warming trend in the atmosphere of one degree Celsius, the warming is naturally occurring and can't be correlated to anthropogenic, or human caused, sources. They claim a slight warming will aid in food growth and have positive health effects as demonstrated by the increases in international food production and life expectancy over the past century. The only certainty is, because of the complexity of the climate, the debate will rage on for the foreseeable future.

In late 2009, there was an attempt by newly elected President Obama to sign the Copenhagen Accord and eventually seek a global treaty to reduce emissions levels to below 350 ppb. But the United States didn't sign the document because there wasn't a commitment by China and India, the two fastest growing economies in the world, to reduce their emissions at a rate demanded of the industrialized countries. Additionally, African nations, who are becoming larger energy users, demanded the US decrease emissions at a rate greater than other nations. The issue of wealth distribution was hotly debated during the Copenhagen Accord meetings, which ultimately failed to gain support from most industrialized countries.

On the national stage, the climate change issue came to a head with the passage of the CLEAR Act, sponsored by Representatives Waxman and Markey. The bill, which passed the US House but failed to pass the Senate, would have created a national cap and trade system requiring GHG emitters to reduce emissions to set levels or, alternatively, purchase allowances, offsets and credits as needed. All the economic analysis of the CLEAR Act indicated that the program would have created another tax on the energy industry and would have been the most costly regulation in the history of our nation. Even though Congress failed to act, the EPA is moving forward requiring the fossil fuel industry to monitor and report GHG emissions. While the EPA doesn't have the statutory authority to create a market trading system like a cap and trade program, according to a recent US Supreme Court decision, the EPA does have the authority to monitor air contaminants, including GHGs.

In New Mexico, by a 2006 Executive Order from former Governor Richardson, the state joined the Western Climate Initiative (WCI) with seven other western states and committed New Mexico to reduce GHG emissions by 20 percent by 2020 and 50 percent by 2050. In December 2010, the New Mexico Environmental Improvement Board finalized three GHG regulations as noted above.

At the subsequent GHG hearings there was extensive testimony and evidence that the proposed programs would have a direct cost of $1.3 billion to the businesses of New Mexico. However, the Department insisted this rule had to be passed for three reasons: (1) New Mexico had to be a leader--the economic sacrifice was needed to get the rest of the United States and world to realize that the GHG issue is important; (2) that our miniscule emissions had to be reduced to possibly avoid cataclysmic disaster; (3) a reduction of GHGs in the state would have positive impacts if complementary policies, such as clean cars, energy efficiency and obesity reductions were implemented along with this regulation.

At this time, industry advocates including IPANM along with the utility industry are appealing all three GHG regulations and working diligently with the new Administration and Legislature to implement policies that support our economy, promote development and are protective of our environment. ♦