Purpose of the Proposed Cap and Trade and Reporting Rules

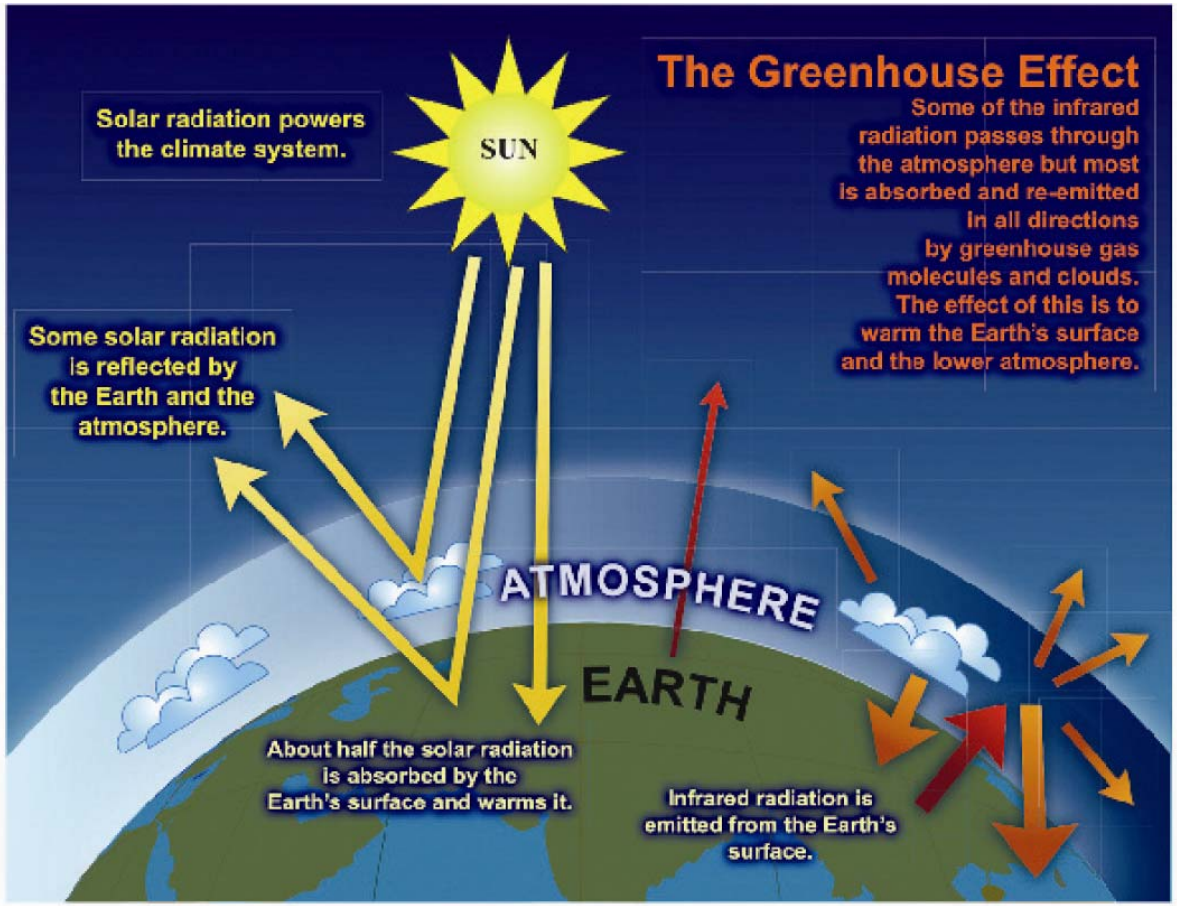
Impacts

- Reduce the negative impacts of climate change on the environment, communities and the economy in New Mexico

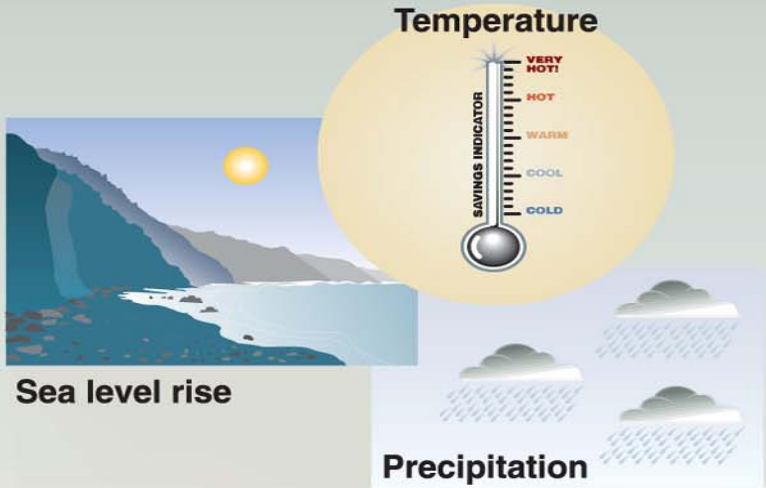
Economy

- Cost of inaction = $3430 annually/ family in New Mexico by 2020
- Program is more cost effective than traditional regulation
- Transition to clean energy economy

The Greenhouse Effect



Potential climate changes impact



Impacts on...

Health

Weather-related mortality
Infectious diseases
Air-quality respiratory illnesses

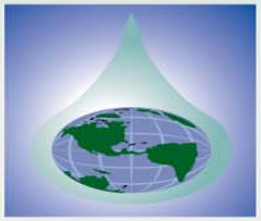
Agriculture

Crop yields
Irrigation demands

Forest

Forest composition
Geographic range of forest
Forest health and productivity

Water resources



Water supply
Water quality
Competition for water

coastal areas

Erosion of beaches
Inundation of coastal lands
additional costs to protect coastal communities

Species and natural areas

Loss of habitat and species
Cryosphere: diminishing glaciers

GRID Arendal UNEP

GRAPHIC DESIGN : PHILIPPE REKACEWICZ

Source: United States environmental protection agency (EPA).

Potential Effects of Climate Change in New Mexico

Severe disruption of natural habitats and ecosystems

Silvery Minnow

Bark Beetle Infestation

Cerro Grande

Potential Effects of Climate Change in New Mexico

Rio Grande, north of Albuquerque, New Mexico.

More Rain & Less Snow

Reduced Water Supply

Rio Grande at Bernardo

Earlier Snow Melt

Shorter Warmer Winters

Potential Effects of Climate Change in New Mexico

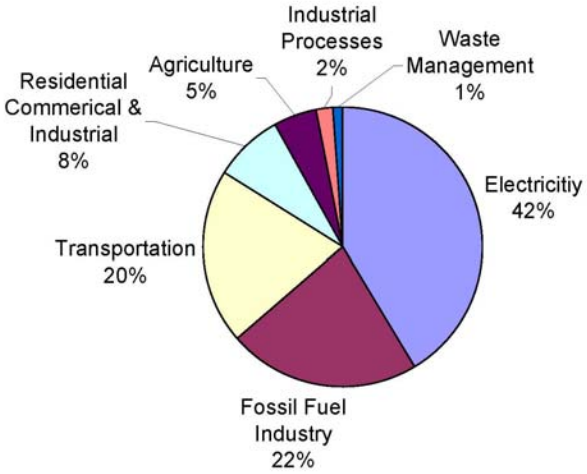
6-12 °F by 2050-2100

This place would be as warm as:

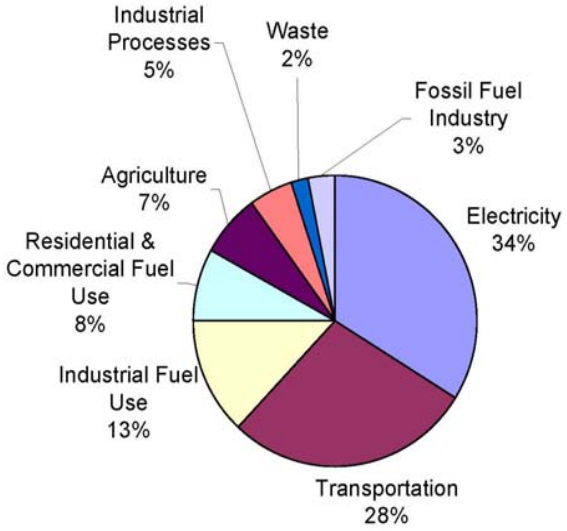
- Eagle Nest.....Cuba
- Farmington.....Tucumcari
- Santa Fe.....Silver City
- Albuquerque.....Carlsbad
- Las Cruces.....Dallas TX
- Carlsbad.....Tucson, AZ

GHG Emissions Comparison

2007 GHG Emissions in NM

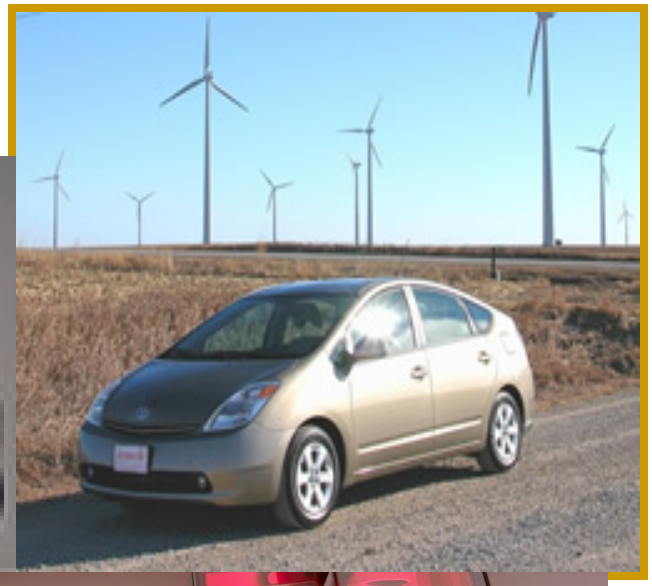


2007 GHG Emissions in US

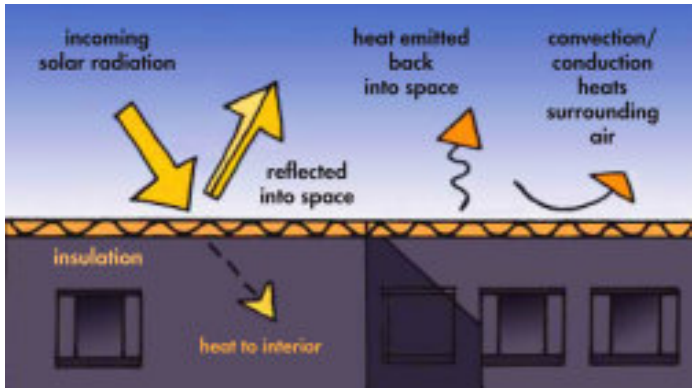


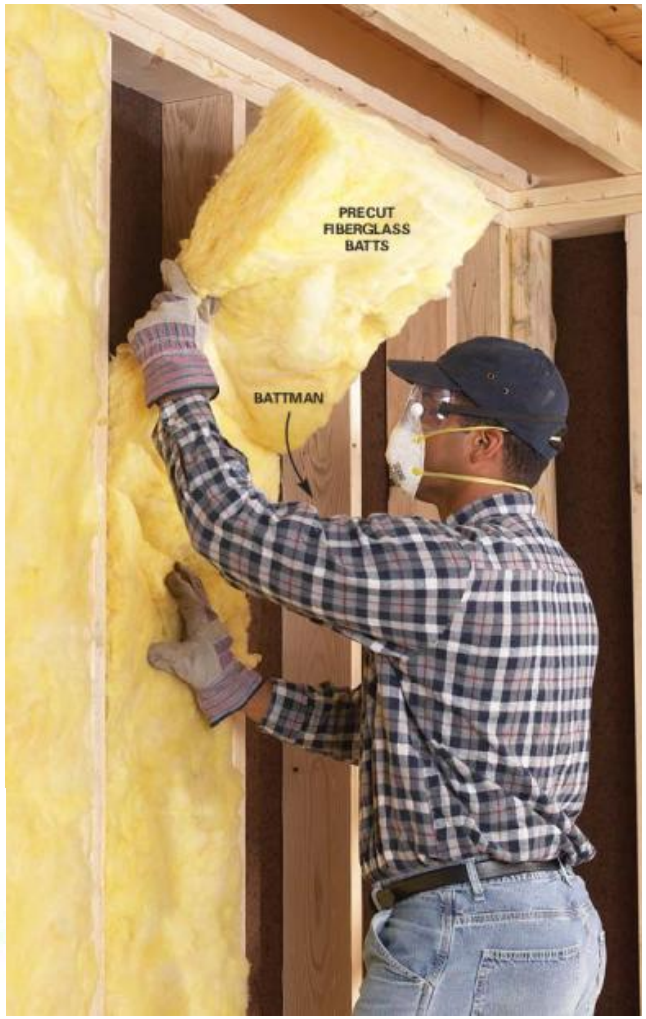
Solutions: Clean Energy

Solutions: Clean Cars



Solutions: Energy Efficiency

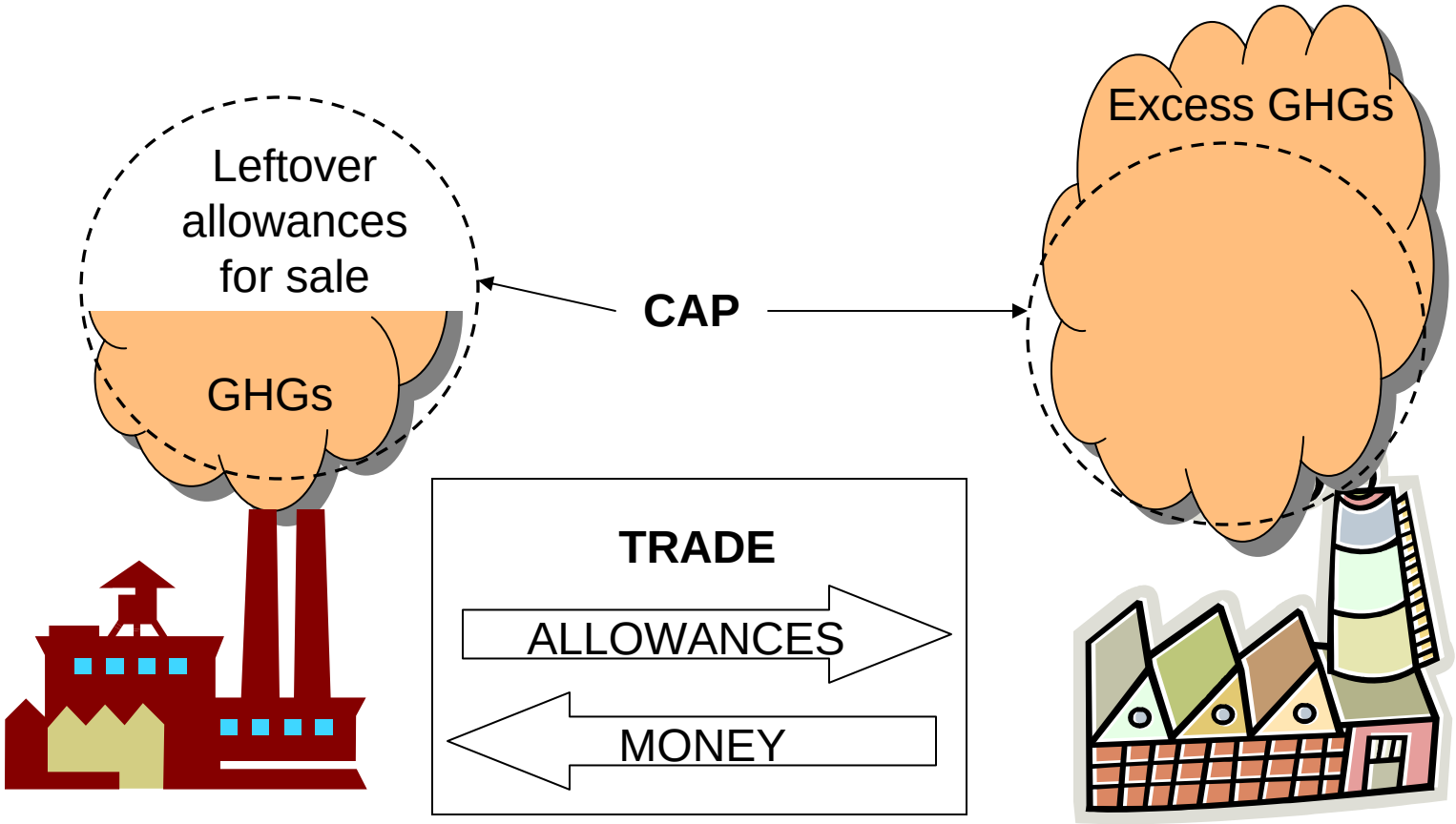




Green Schools

Using Energy Efficiency to Strengthen Schools

How Does Cap and Trade Work?



Why Cap-and-Trade?

- Reduce GHG emissions in the most cost-effective manner
- Provides more flexibility and costs less than a traditional regulatory program
- State government does not dictate specific methods of reduction
- Industrial facilities may sell excess reductions to other participants

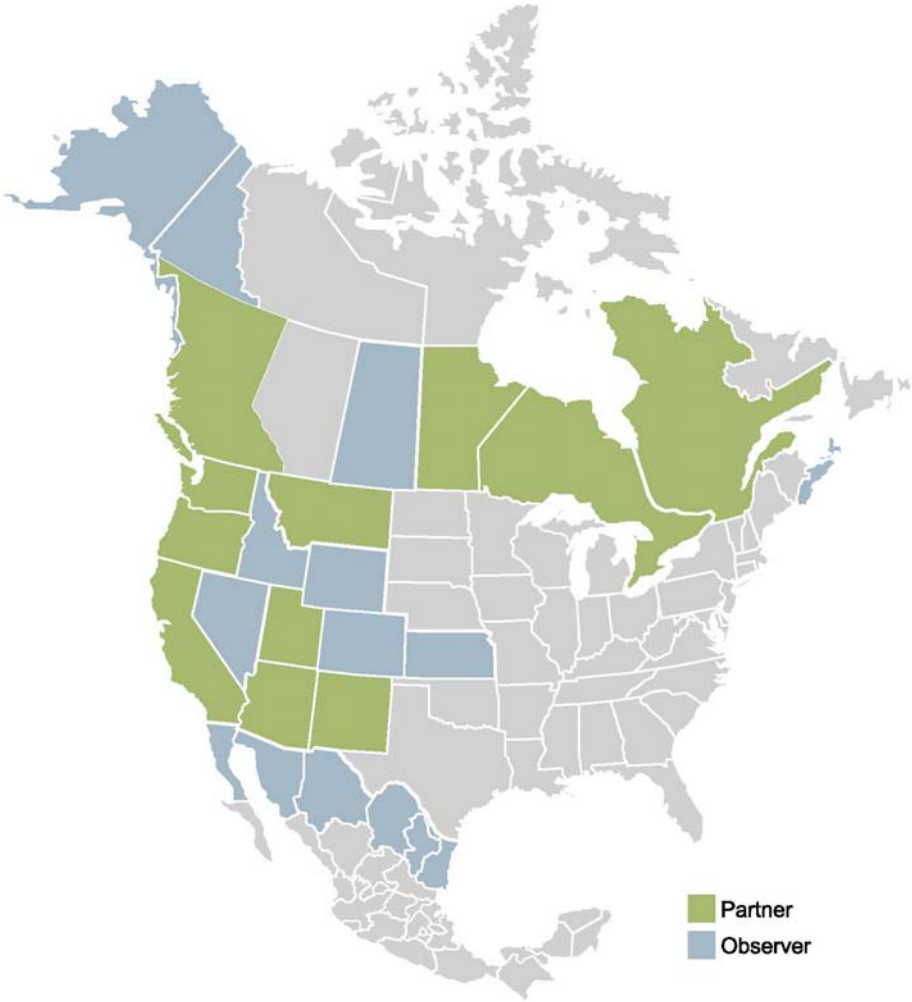
Why use Cap and Trade Now?

- To minimize human-caused climate change
- To influence national policy and ensure that Western states needs are met
- Benefits New Mexico because of the vast clean energy resources in the state

No New Mexico Only Cap and Trade Program

- NM will participate in regional program
- Working with Western Climate Initiative to develop regional market
- NM will only participate when the market is large enough to be cost efficient

WCI Partners and Observers



NMED's Proposed Cap and Trade Program

- Program would start in 2012 provided sufficient market size (100 million metric tons GHGs)
- Bernalillo County and Tribal lands not covered (outside of State Board jurisdiction).
- Includes large industrial facilities
- Proposing an annual 2% reduction in GHG emissions
- Reductions are achieved at the facility, or at the facility from which allowances are purchased

Affected Facilities

Cap & Trade:

- Facilities that emit 25,000 metric tons GHG or greater/ year
  - Power plants
  - Refineries
  - Gas plants
  - Other large combustion
- 25,000 metric tons GHG = 4780 light passenger vehicles
- About 63 sources in program

Predicted Economic Impacts of Participating in a Regional Program

- Recent economic analysis indicates that New Mexico can reduce GHG emissions, support economic growth and realize a modest net savings to the New Mexico economy.
- The analysis builds upon and is consistent with the regional analysis conducted by WCI.
- Results are also consistent with other recent state and federal analyses on climate change mitigation.

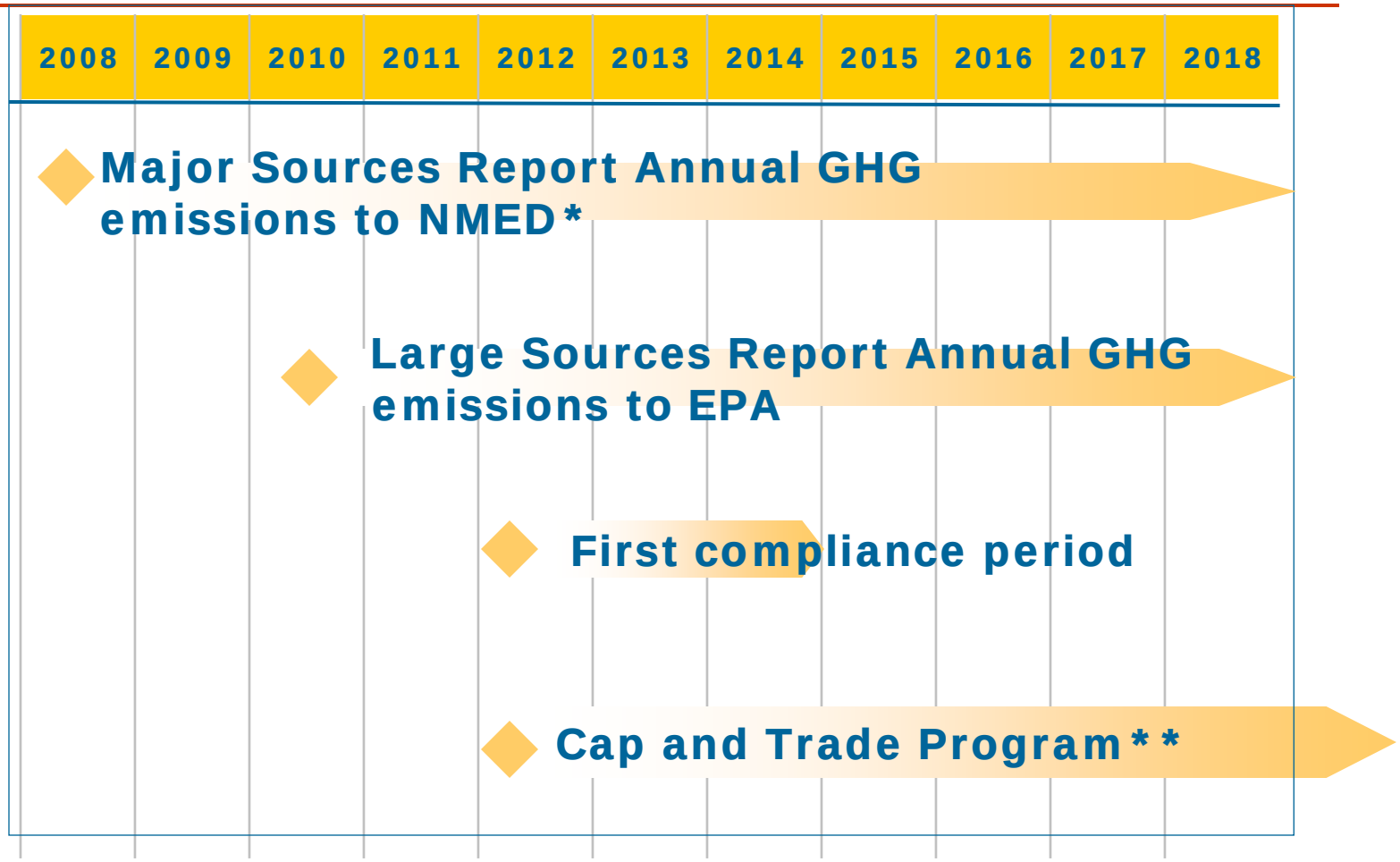
Cap and Trade Rule Making Process

- NMED submitted proposed rule to independent regulatory board (Environmental Improvement Board) in June.
- Formal public comment period from July 15 through the end of the Board hearing.
- Comments may be submitted to the Board via mail to:

  Joyce Medina, Board Administrator
  NMED Boards and Commissions
  1190 St. Francis Drive, N2153
  Santa Fe, New Mexico 87502

- Environmental Improvement Board hearing is scheduled to start on September 20 in Santa Fe.

Cap and Trade Reporting Timeline

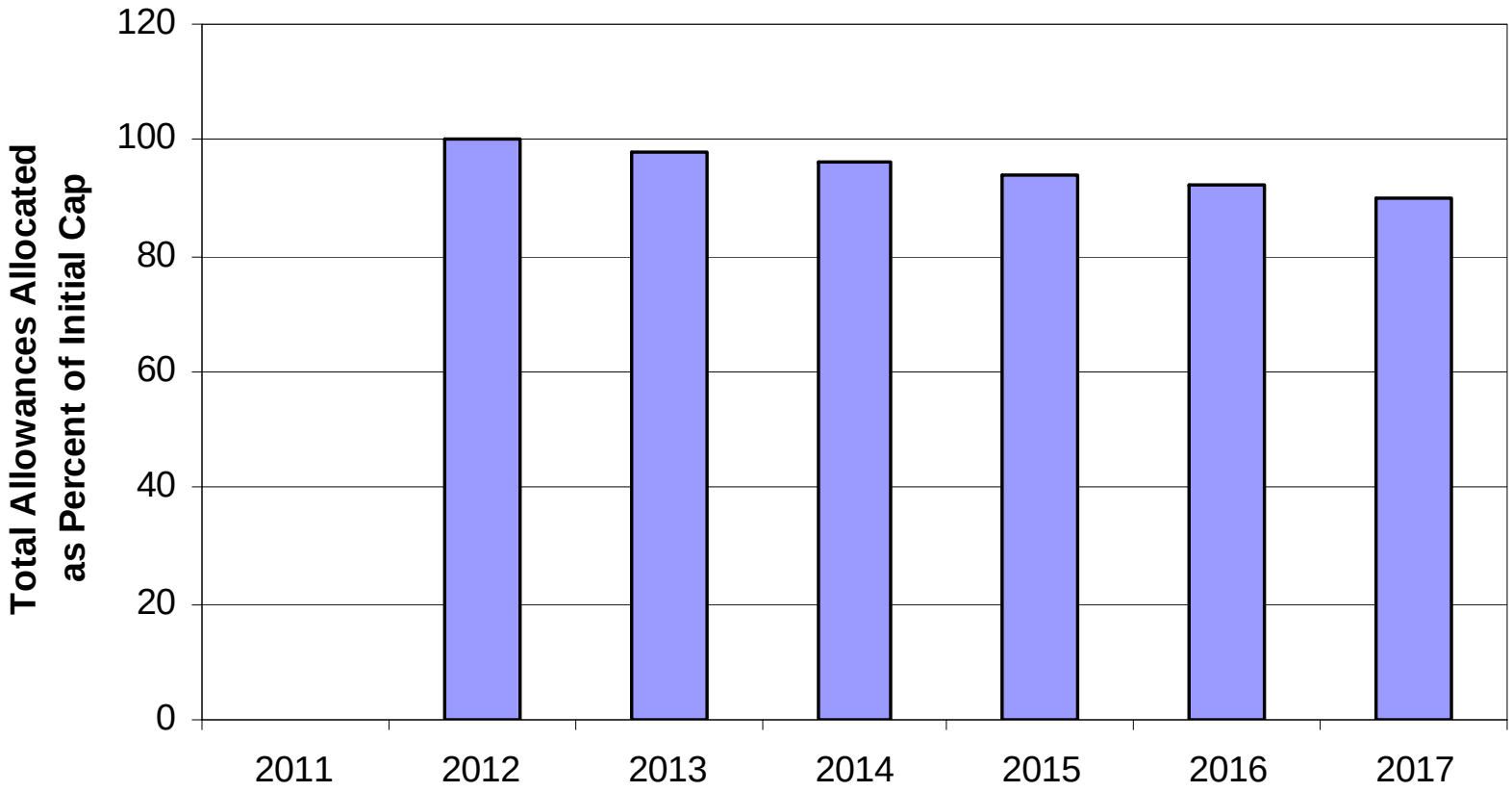


* New Reporting Rules are designed to harmonize with EPA Rules
**The program starts only if adequate market size (100 MMT)

GHG Allowances

- Allowances = currency of C&T programs
- 1 allowance = authorization to emit 1 metric ton GHGs (in units of CO2e)
- Person must have General Account or Compliance Account to own allowances
- Free distribution to "existing cap facilities" (in operation since January 1, 2011)
- No auctioning by NMED, although persons can trade on market
- Facility must surrender sufficient allowances after end of 3-year compliance period to cover emissions that occurred during period

Capped Allowance Allocations



What is purpose of GHG Reporting?

- For facilities covered by the cap:
  - Allocations and cap based on emissions
  - Standardize methods of measuring emissions
  - Third-party verification ensures accuracy
- For smaller facilities:
  - Need to know emissions to determine if covered by cap or not
  - Helps track overall state emissions

Proposed Reporting Rule

- Based on U.S. EPA GHG reporting rule
  - Harmonized so facilities can report through EPA
  - For EPA reporters, one report can satisfy meet both EPA and NM requirements
- Some modifications to improve accuracy as needed for cap and trade program
- Common measurement standards for regional trading program
- EPA reporting rule:
  - Reporting from facilities emitting 25,000 metric tons GHGs per year
  - Beginning with 2010 emissions

Affected Facilities

- Cap Facilities (verification required):
  - Emissions 25,000 metric tons GHGs or more per year
  - Estimate about 60-70 facilities
  - Mostly power plants, refineries, gas plants, large compressor stations
- Reporting only:
  - Emissions 10,000 to 25,000 metric tons GHGs per year

How Does Verification Work?

- Similar to audit
- To determine report is free of material errors
- Verifiers accredited by national standards organization
- Requirements to ensure verifier independence (avoid conflict of interest)
- Confidential company information seen by verifier only

For More Information:

Cap and Trade Contacts:

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Lany Weaver

505-476-4322

Lany.Weaver@state.nm.us

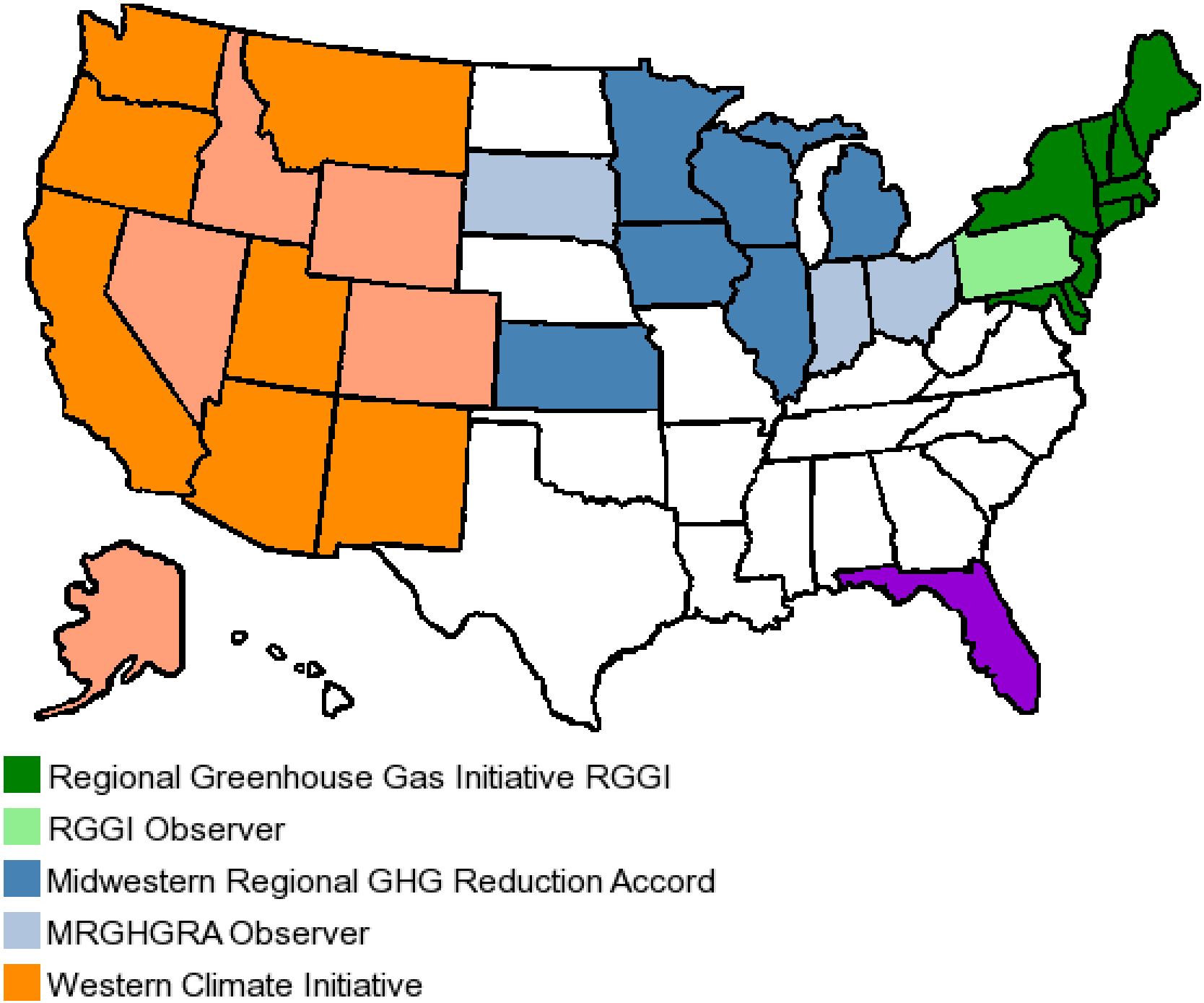
Reporting Contact:

Brad Musick

Brad.Musick@state.nm.us

505-476-4321

http://www.nmenv.state.nm.us/cc/


Regional Greenhouse Gas Initiative RGGI
RGGI Observer
Midwestern Regional GHG Reduction Accord
MRGHGRA Observer
Western Climate Initiative