Center for Strategic and International Studies

TRANSCRIPT
Online Event
“U.S. States on Energy and Climate: New Mexico”

DATE
Thursday, July 14, 2022 at 1:00 p.m. ET

FEATURING
Sarah Cottrell Propst
Cabinet Secretary, New Mexico Energy, Minerals, and Natural Resources Department

CSIS EXPERTS
Morgan Higman
Fellow, Energy Security and Climate Change Program, CSIS

Transcript By
Superior Transcriptions LLC
www.superiortranscriptions.com
Morgan Higman: Good afternoon and thank you for joining us. My name is Morgan Higman. I’m a fellow at the Energy Security and Climate Change Program here at CSIS.

With me today is Secretary Sarah Cottrell Propst from New Mexico. She is the fourth speaker – wow, excuse me – she is the fourth speaker in our four-state leadership series that we’ve hosted over the course of this week. If you haven’t heard our conversations from Illinois, Massachusetts, and Oregon, I would encourage you to go to the CSIS website and watch those conversations when you have a moment. In the meantime, we’re excited to hear from Secretary Cottrell Propst.

She was appointed by New Mexico’s Governor Grisham to serve as Cabinet secretary of the Energy, Minerals, and Natural Resources Department in 2019. From 2012 to 2018, the secretary served as the executive director of the Inter-West Energy Alliance, a nonprofit trade association representing renewable energy companies in the west. She’s also the founder of Propst Consulting, LLC, where she specialized in energy and environmental policy. Prior to that, she served as deputy cabinet secretary of the New Mexico Environment Department, and an energy and environmental policy advisor under New Mexico Governor Bill Richardson. Secretary Cottrell Propst holds a master’s in public affairs from Princeton University’s School of Public and International Affairs, with a concentration in science, technology, and environmental policy.

Thank you so much for joining us, Secretary Cottrell Propst. As you know, this speaker series is part of our Clean Resilient States Initiative, which is funded by the Sloan Foundation. We really appreciate their support. Within this work, we’ve been looking at how states are working to promote emissions reductions, economic development, and energy resilience, either all together or bit by bit. Could we begin this conversation with sort of an overview of some of New Mexico’s sort of legislative and executive goals in these areas?

Sarah Cottrell Propst: Sure. Thank you so much for having me. It’s nice to be with you all and to meet you.

So New Mexico is doing a lot of really exciting things on climate. I have the honor and the privilege to co-chair Governor Michelle Lujan Grisham’s climate change taskforce, along with the environment secretary. And New Mexico, just to give you a sense of where we sit, our best data is for 2018. We produced approximately 113.6 million metric tons of greenhouse gases that year. Our goal that the governor set in an executive order in 2019, consistent with the Paris accords, is to be 41 ½ million metric tons by 2030, which is a 45 percent reduction from 2005.
levels. And then she also wants to see us achieve net zero or better by 2050.

So we’ve made a lot of progress, as you mentioned, since then, both on the regulatory and on the legislative fronts. We have policies that are in place, are going to reduce emissions by about 31 million metric tons by 2030. We have some other policies that are planned, and I’m going to talk about what some of these are. But they will reduce by an additional 17.3 million metric tons. But that still leaves us a very humbling gap of over 16 million metric tons that we have to find which sectors and which strategies are going to get us there. So I’m really proud of the progress that we’ve made, but I also want to be really humble about the fact that we have a lot more work to do and it’s going to be really tricky.

My department is the Energy, Minerals and Natural Resources Department in the state of New Mexico. And we focus on mining, oil and gas regulation, clean energy, resource management, forestry, and state parks. So we have a lot of direct roles at the department on reducing emissions, but also we have convening authority with the Climate Change Taskforce.

In the energy sector, in 2019 we passed an Energy Transition Act for the electric sector which is going to reduce emissions and also increase renewable energy deployment in the state 80 percent by 2040 for our utilities and 100 percent zero carbon by 2045, as long as safety, reliability, and impacts to customer bills are considered. And then the rural electric co-ops, of which we have many in New Mexico, have similar trajectories; they have about five more years to reach that zero-carbon goal. We’ve also backed that up the next year with the Grid Modernization Act that both puts funding and some additional regulatory authorities to the utilities to modernize the grid and do the things that they’re going to need to do to put 80 percent renewables on the grid and zero-carbon resources, so that’s been really popular and really exciting. And then we have a solar market development tax credit that encourages homes and businesses to put rooftop solar or distributed solar around the state. It’s been wildly popular. We hit our $8 million-a-year cap last year and raised it to 12 (million dollars) for next year, so it’s really working. We have a Community Solar Act that passed in 2021 and we can talk more about that when we talk about equity. So electric sector emissions alone are down over 40 percent in New Mexico from the 2005 levels.

So a lot of progress there but we also have progress – and we can maybe talk more about this as we go – on oil and gas and on transportation and some other sectors too, but I wanted to note that we’ve had a lot of legislative success on the electric sector because it was, at one time, our
number two sector, behind oil and gas; now it’s number three because of the progress that we’ve made.

Ms. Higman: Congratulations. That’s terrific to hear, and I really appreciate your sort of wide-eyed recognition of the challenges of reaching some of the ambitious goals. I think there’s a lot of good reason to applaud goals, but figuring out how to reach them, and that we can reach them, is really important. And when we think about climate action, I think for New Mexico in particular I think about the economic sort of development challenges; there’s a lot of state revenue tied up in fossil fuels, and actually there’s a New York Times article about that this morning. I wondered if you could think about how you are supporting economic development and opportunity as your state transitions away from some of these more carbon-intensive resources?

Sec. Cottrell Propst: It’s a great question. It’s one we wrestle with every single day in New Mexico. We’re the number two onshore producer of oil and gas, of oil, in America and so we have a big challenge there. Our per capita emissions are high because of the oil and gas production that we have in the state, and it’s a huge source of revenues for the state. So what do you do about that? How do you be an oil and gas state and also reduce emissions? So what we did was we spent the last few years working with the industry, working with NGOs, working with communities on a set of rules, some promulgated by my department and some promulgated by the Environment Department, that work together to reduce emissions from oil and gas, so the rules in our Oil Conservation Division at EMNRD are – they require a 98 percent gas capture by the end of 2026 and they ban routine venting and flaring, and we’ve worked with the industry on so many of the details. Not going to say it was easy but it was – we did it the right way and they have not been challenged in court. I’m really proud of that because it means the industry thinks that they can meet them, that environmentalists think that they’re strong enough, and that we’ve hit a spot where we’re going to succeed in bringing down the emissions. So we’re implementing those right now.

The Environment Department has ozone precursor rules in place that will – sort of belt and suspenders with our overall cap that our department did, so those rules work in concert and we think that they’re national models that EPA and the BLM at the Department of the Interior should look at when they’re looking at what should happen nationally to level the playing field. So that’s important. We knew we can’t meet our goals in New Mexico if we don’t tackle oil and gas sector emissions. But broader than that, we are working really hard to diversify the economy, and legislation was passed a couple of years ago in New Mexico that set in statute a Sustainable Economy Task Force that our Economic Development Department has brought together and that group is working also on a number of strategies for growing the economy in ways that also
help us meet our climate goals, and we’ve attracted some companies that want to locate in New Mexico because of our world-class renewables. Their business model has nothing to do with renewable energy; they just want good, affordable clean power, and so we’re pursuing those kinds of opportunities.

And last thing I’ll say is that last year I had the opportunity to go with the governor to COP-27 in Glasgow. And my colleague from the Environment Department went too, but also the economic development secretary went with us because so many companies are working in this space and it’s – economic development is key to climate success. So the three of us were representing New Mexico, and I thought that was really important that we’ve brought her into our club on climate action, and it’s been really successful.

Ms. Higman: It sounds like it’s been successful and I think it’s a really important ingredient venturing sort of the longevity of some of these climate commitments. When you think about your economic development goals, what kind of progress indicators are you keeping track of or developing?

Sec. Cottrell Propst: So under the executive order that Governor Lujan Grisham promulgated in 2019, we do owe the state an annual report on our progress. So that is on our climate action website and we have, you know, a detailed accounting of all of the strategies and things that have worked and where we think we are.

We also engaged with RMI, which used to be called Rocky Mountain Institute. But RMI has been helping us on doing some modeling to take a look at those numbers – that led to those numbers I laid out at the beginning in the presentation: How far are we going to get with the things that we already have underway? How much is the gap? And what does that look like?

So we pulled together a group of experts from just within New Mexico, a climate advisory group, and they are looking at that modeling and helping us identify some additional strategies in five-year planning horizon for what we can do sector by sector to try to continue to close that gap. So the science and the modeling is really important. And all of that will be laid out in more detail, I expect, in our report this fall on the 2022 climate progress. So that’s our cycle, is usually a fall report to the public and the governor.

Ms. Higman: Very good. We’ll look forward to that.

New Mexico has also been facing some climate hazards. I’m thinking about wildfires, heat, and drought, among other things. Can you tell us
about how these sort of hazards figure into your climate and energy strategies and investments?

Sure. You don’t have to look very far in New Mexico to see the impacts of climate change and how they are – all of the – all of the predictions that climate scientists have been telling us for years – hotter, drier, more frequent and intense wildfires – those are all things that we are living every single day in New Mexico, which is an incredibly beautiful, wonderful state. But we just experienced the largest wildfire in the state’s history this year and also the second-largest wildfire in the state’s history this year. Both were burning in different forests at the same time this spring. And it was – it was truly awful. People lost their homes. They lost their livestock, their grazing areas. City water supply was threatened. It’s just – it’s been really terrible. And so, you know, it’s coming home.

But we do have a lot of strategies in place where you’ve got a Forest and Watershed Restoration Act that provides dedicated funding for work like forest thinning that helps reduce the risk of catastrophic wildfire and makes our forests more resilient to climate change and healthier.

We also have a Prescribed Burning Act that recently passed. Now, prescribed burning is quite controversial these days. That’s the underlying cause of one of these fires. But if it’s done right, it can be an important tool. We had a big wildfire last year that we were able to stop from hitting the Santa Fe ski basin area and watershed area because we were able to use a previous prescribed-burn scar and stop the really dangerous fire at that boundary.

So we’re working on those kinds of things. We have a healthy soils program at our Department of Agriculture. Just a lot of different strategies related to water and forest health, and a lot of that requires funding. And so some of that’s coming from the state. There’s some really good opportunities in the bipartisan infrastructure law. So we’re going to keep doubling down on those kinds of strategies to try to make our state more resilient to the things that we can’t stop.

That’s great to hear.

One of the things that I really appreciate about your climate and energy strategy is how well it articulates the intersection of natural resources as well as energy and emissions and economic development. I think that’s really a highlight of your state’s work. When you think about some of these climate hazards and your grid modernization activities, what do you think are the priorities for enhancing resilience in the energy sector? And thinking particularly around electricity generation, but maybe other areas
- electric vehicles and new clean-energy resources that you’re bringing online.

Sec. Cottrell Propst: A lot of different things. One is that we’re working with utilities on their rights of way, trying to make sure that those are cleared and protected from starting fires. So that’s something that we are putting some funding into and the utilities are working on.

For grid modernization, the first grant that we were able to give under the Grid Modernization Act was to the city of Albuquerque. And they built and invested in this data solution to get really good visibility into their electricity use across all of the city facilities – everything from the airport, to the zoo, to office buildings. And they found a lot of areas where there were issues and problems that they could tighten up, safe taxpayer money, and also save energy.

And so that’s a really cool tool. It’s called the brain that they developed. And it’s on – it’s publicly available on their website. And we hope that more cities and countries will look at that, and also come and apply for grant funding as it’s available for these kinds of projects. Because they know what they need. They’re local. They’re very – it’s very immediate, rather than us coming up with a bunch of things.

We also put together with the University of New Mexico a climate risk map, so the public can go and look at their community and see what the layers of climate risks are to their community. And that’s another way of looking at environmental justice, looking at threats, in a publicly available tool that’s available to local leaders as well.

Ms. Higman: I’m familiar with that map. It’s a great resource. It does a good job highlighting some of the vulnerable sort of communities across New Mexico. And I think vulnerability is a topic that I think a lot about when we talk about resilience and economic development a lot. Could you talk about some of the equity and environmental justice and maybe just transitions priorities within your climate and energy work?

Sec. Cottrell Propst: We worked over the last year with a group of New Mexico residents on a set of climate equity principles that overlay on every single state agency’s climate work. You know, any rule making, any initiative, we ask that the agencies really incorporate the climate equity principles as they set out to do whatever it is that they’re doing on climate. And that’s been really, really useful. We’ve started implementing it here at my department. And it really puts front and center those considerations that need to be – need to be thought about, not on the back end but on the front end of our climate actions.
So that’s a big one. I also wanted to note that in our Community Solar Act legislation that was passed last year, it provides access to community solar for folks who can’t afford or otherwise choose to have rooftop solar. So in and of itself, that’s useful. But it goes one step further, and it also has a component guaranteeing that each project needs to have a 30 percent capacity carveout for low-income customers and service organizations. So the act sort of gets at accessibility two ways, and really doubles down and puts the onus on the project developers to make sure that they are, in fact, developing equitable and providing access to folks around the state. So those are a couple of examples of things that we’ve done in that space.

Ms. Higman:

Very good. I want to highlight the just transitions piece, because I think that’s particularly important given your state’s vast fossil resource reserve. Could you talk about specific plans for sort of that group within your state, and ways that they might benefit from your new climate and energy strategies?

Sec. Cottrell Propst:

Well, one of the things that we did in the Energy Transition Act is to require that the bonding, that the securitization that the utility was going to do to exit the coal plant and transition to clean energy, that there be funding available through three different state agencies to address related but different pieces of the energy transition. You know, one is for affected workers, of course. You know, need transition funding to help retrain or otherwise be secure as their coal plant job goes away. Also, there’s funding for the communities for economic development purposes, to think about how do we backfill those jobs and create other industries? So that’s – and those are both really important but pretty traditional economic development tools.

The third one that came about through the legislative process is through the Indian Affairs Department. The coal plant in particular that we were talking about most with this act, the San Juan Generating Station, is in an area with a lot of tribal members. It’s both very close to the Navajo nation and some Pueblos, but also a lot of community members are native. And so there is funding through Indian Affairs Department to address those specific, unique needs that tribal communities have that are – that are different than sort of general, traditional economic development needs. So those are three different funding streams created through the act to try to address some of the transition needs of the affected community.

Ms. Higman:

So we talked about economic development and resilience and emissions reductions goals and progress. I’m wondering what sort of support have you provided for innovation? It seems to me like that’s a really important piece for reaching some of these goals and attracting greater economic investment, securing energy resilience.
Sec. Cottrell Propst: We’re really lucky in New Mexico. We are home to two national labs, Los Alamos National Lab and Sandia National Labs, and also a number of world-class universities. And all of those are working in the innovation space. And one of the things we’ve done recently is in looking towards the Department of Energy’s hydrogen initiative, we’ve partnered with four – there is a four-state partnership, us, Colorado, Utah, and Wyoming – working together on a potential application there. But the state of New Mexico also entered into an MOU with the national labs that are located in New Mexico to share data and information on hydrogen, and clean hydrogen in particular, green hydrogen, generated by renewables.

So we’re really trying to make use of those – of those resources that are right here in the state and not overlook them. But we also – you know, the Grid Modernization Act is another one. We don’t necessarily know where all the answers are going to come from, but we do want to foster innovation and have very clear opportunities for good ideas to be entertained, in this case, through the regulatory process of the Public Regulation Commission, which is our utility regulator. So to encourage the utilities to bring forward and not be so cautious and careful all the time. We want them to be generally cautious and careful, but we also want them to think bigger and bolder.

So that bill provided them some cover, frankly, to bring forward those types of proposals to the commission and have them favorably considered or tweaked as they need to, moving through the regulatory process. So we try to – we try to foster innovation throughout our work.

Ms. Higman: It sounds like it. You mentioned the bipartisan Infrastructure Act. And I wanted to ask – we talked a lot about what’s going on, bills that have supported some of your progress and new commitments. What in the Infrastructure Act makes you most excited? And where do you think that funding can support your state’s goals and progress?

Sec. Cottrell Propst: A lot of opportunities in the electric sector space and on transmission. It’s a perennial topic, especially here in the west. Large distances between population centers and resources, and clean energy resources in particular. So that’s – there’s a lot of – a lot there. And some of them we’re still trying to get our arms around what the rules of the road are going to be, who needs to apply, what does a coalition look like, all those things. But we’re working on it, along with our state has a renewable energy transmission authority that’s working on exactly these types of questions, really well-positioned to go put smart proposals in on that.

But we’re also expecting to be a big beneficiary of the orphan well plugging money that the Department of the Interior is responsible
for. And the first tranche is about $25 million for New Mexico, not to mention all the other states that are going to be part of the formula grant. And I mean, we have – we have 60,000 wells in the state now, not to mention all of the orphan wells and legacy wells since the ‘20s and ‘30s when the industry started in the state, so a lot of – a lot of orphan wells to clean up. And this will enable us to put people to work, local companies doing that reclamation work, protect the environment along the way, and really clear a backlog that’s been – we have annual funding from the state, an existing program to do this work, but this will – you know, we’ll have orders of magnitude more success if we can just pump this money into the economy and plug and reclaim these sites. So we’re really looking forward to working with the federal government on that, too.

Ms. Higman: That sounds great.

We’re about to run out of time. I wondered, as a last question, you’ve talked a lot about strategies to engage industry. And I wondered if you could just wax philosophical a little bit on lessons learned from that as a policy leader and, you know, as someone who previously worked, you know, on the nonprofit side of things. What do you think works? Where do you think there’s the most room for progress in sort of state-private or public-private partnerships?

Sec. Cottrell Propst: I think meeting early and often. We had – with the methane rules for reducing methane emissions in the state, we had a technical advisory group that we pulled together. We called it the MAP, the Methane Advisory Panel, and it was representatives of industry, representatives of experts from universities, experts from the NGO sector, and then along with state government. And the group was advisory. They did a series of white papers, really hammered out a lot of – and got common ground on a lot of technical components of what we were trying to do, kind of taking some of the political out of it, really focusing on the best science, best technology and data and information. That was an incredibly important – it was time consuming, and so expensive in that way, but really important on a rulemaking of that magnitude to take the time and get on the same page about some of the underlying pieces. So that was one part of the success there.

The other part was, you know, we did a ton of engagement. Some were big public meetings where anyone was invited and we were up on a stage talking about our authorities and what we intended to do and answering questions and getting feedback from the public. That was important. But we also didn’t turn down very many other meetings and just tried to work through, you know, rather than taking the posture of, well, you have one opportunity to comment and that’s it, and then we’re going to close the door and public comment’s over, and then we move on to our
rulemaking. You know, we really tried to meet a lot with folks and be as creative as possible and think about how to craft laws that were – didn’t create too many winners and losers, and were technology-neutral as much as possible so that it could be evergreen as innovation flourishes over the next, you know, decades to come. So working with industry, trying to solve the problems before we got into the formal rulemaking so that that process then was a lot smoother and people felt like they had already had input into the process and it didn’t lead to that kind of more of a litigation mindset in the rulemaking.

So I hope that’s helpful. That’s – at least so far, that was our biggest success on the – on the methane front.

Ms. Higman: Yes, it’s been really exciting to follow.

I really appreciate your time today, Secretary Cottrell Propst. Thank you so much for joining us. I’m going to encourage our audience again to both listen to the conversation we’ve had here as well as the state conversations we’ve had in the last three days. We’re really excited about this series and about continuing to see the progress across U.S. states and contributing to U.S. climate and energy goals. Have a great afternoon.

Sec. Cottrell Propst: Thank you.

(END)