

HB426-THE "CLEAN" FUEL STANDARDS ACT ENABLES A DANGEROUS CARBON TRADING MARKET AND WILL INCREASE CLIMATE WARMING EMISSIONS

Market mechanisms that allow for offsets and the sale and transfer of credits to meet carbon emissions reductions requirements are false solutions to the climate crisis. Despite climate pledges, non-binding resolutions and numerous market-based mechanisms proposed by governments and private companies to combat the climate crisis, greenhouse gas emissions continue to rise year over year. (1) **We must reach real zero, not net-zero, to protect New Mexicans from catastrophic climate impacts that threaten imminent danger to their livelihoods, security and food and water supply.**

CARBON OFFSETS AND TRADING ARE INEFFECTIVE AND HARMFUL, AND THEY DELAY REAL CLIMATE ACTION

Cap and trade programs based on offset and credit systems harm Indigenous and frontline communities and allow industry to accumulate questionable surplus credits they can use to pollute in the future, as has been the case with other Low Carbon Fuel Standards (LCFS) enacted in the United States. (2) Researchers from Stanford Law School, UC Berkeley, UC Santa Barbara and elsewhere found that California's Cap and Trade program overestimated carbon dioxide emissions reductions by 80 million tons. (3) The carbon trading aspect of the program undermines the emission reductions goals of a fuel standard.

A 2022 investigation revealed that more than 90% of the rainforest carbon offsets sold under the verified carbon standard of Verra – the world's biggest provider of such offsets – are "worthless." Along with two groups of scientists, journalists reviewed two-thirds of Verra's 87 active offsetting projects and found that the carbon offsets "are likely to be 'phantom credits' and do not represent genuine carbon reductions." (4) Verra approves three-quarters of all carbon offsets and is used by many high profile companies and private entities to achieve their net-zero targets.

HB426 specifically allows the sale of credits to such questionable non-profit carbon credit aggregators. (pg 8. Line 25)

HOW CARBON CREDIT OFFSETS WORK

Carbon credit and trading schemes don't decrease emissions, they move them around. Rather than reduce its own pollution, for example, an oil refinery can buy an offset that represents a ton of carbon emissions credits from the reductions made by another industry. **Ideally that equation looks like 1-1=0.**

The problem with the concept is that the basic criteria for an effective equation is that the second number must represent something real. A carbon credit must have:

- **Additionality** - a real, quantifiable reduction or removal of a ton of carbon dioxide that would not have occurred without the incentive created by carbon credit revenue,
- **Permanence** - the reduction or removal must be permanent to prevent climate impacts, and
- **Social and Environmental benefits** - Offsets should not contribute to social or environmental harm. **Unfortunately that is often not the case.** Offsets can shift pollution to frontline communities where polluters buy credits to allow continued emissions in communities with less power, and increase exploitation and forced relocation of Indigenous communities that are the stewards of land often claimed for forest offsets.

In truth the cap and trade equation is best represented by 1-?=?

Carbon markets can also create a perverse incentive that leads to more emissions. For example, under a carbon credit trading scheme the owner of a gas well can claim a credit by burning off methane leaks during production because burning the methane is less damaging than releasing methane into the atmosphere. By earning money selling credits for destroying methane, however, the leakiest well in the Permian could remain open longer because the owner is incentivized to keep the well operational for longer than they otherwise would have. Profits from selling those carbon credits can be substantial.

Under cap and trade programs, polluters can earn millions for reductions in planet warming emissions that are not real.

THERE ARE EFFECTIVE WAYS TO REDUCE EMISSIONS FROM TRANSPORTATION --->

(1) Rhodium Group estimates that greenhouse gas (GHG) emissions in the US increased in 2022, rising 1.3% compared to the previous year. (<https://rhg.com/research/us-greenhouse-gas-emissions-2022/>)

(2) A Bearish Outlook for California's Low Carbon Fuel Standard (<https://kleinmanenergy.upenn.edu/news-insights/a-bearish-outlook-for-californias-low-carbon-fuel-standard/>)

(3) Managing Uncertainty in Carbon Offsets: Insights from California's Standardized Approach, Barbara Haya, Danny Cullenward, Aaron L. Strong, Emily Grubert, Robert Heilmayr, Deborah Sivas, & Michael Wara. (2020). Climate Policy. DOI: 10.1080/14693062.2020.1781035.

(4) Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows.

<https://www.theguardian.com/environment/2023/jan/18/revealed-forest-carbon-offsets-biggest-provider-worthless-verra-aoe>

THE FIRST RULE OF LEGISLATING SHOULD BE DO NO HARM

THE LANGUAGE IN HB426 IS VAGUE AND DOES NOT SPECIFY THE SCOPE OR IMPACT OF THE CARBON CREDIT MARKET PROPOSED

HB 426 leaves open the possibility for expansion of the fuel credit market to multiple non-transportation sectors, including potentially the oil and gas industry, electric utilities and other polluting industries, with the inclusion of vague language requiring the rules for a credit market to include “the trading of credits among regulated entities and producers, suppliers and other entities that enable the use of low-carbon-intensity transportation fuels.” Without a clear definition of participants in the credit trading market, the bill leaves open the possibility of polluting industries such as oil and gas using a carbon credit and trading scheme to prolong their use of New Mexico as a sacrifice zone and exacerbate the impacts of their industry on frontline and Indigenous communities most likely to be impacted by the air, land and water pollution they create.

INDUCED LAND USE CHANGES RELATED TO LCFS FURTHER REDUCE THE EFFICACY OF SUCH POLICIES

One of the primary mechanisms for reducing the Carbon Impacts of fuel is the blending of biofuels with gasoline. The introduction of a lucrative market for crop-based biofuels has resulted in significant land-use changes around the world, creating financial incentives for the expansion of mono-crop agriculture into previously biodiverse areas, and raising food prices related to affected crops. A 2022 report from the International Council on Clean Transportation (Opportunities and Risks for a National Low Carbon Fuel Standard <https://theicct.org/wp-content/uploads/2022/03/risks-low-carbon-fuel-standard-mar22.pdf>) states that “While the magnitude of induced land use change emissions is uncertain, it is generally understood to be large enough to substantially reduce or negate the carbon savings from the use of biofuels.”

HB 426 specifies that the standard must be “technology neutral,” allowing for uncapped use of biofuels that could result in significant land-use changes that endanger biodiversity, hinder the earth’s ability to store and sequester carbon and disrupt traditional land uses.

THE INCLUSION OF A CARBON MARKET AND TRADING SCHEME IN THE LEGISLATION NEGATES THE BENEFITS OF THE PROPOSED STANDARDS

It is critical that emissions from the transportation sector are reduced. An effective approach to transportation emissions reductions should include strong fuel efficiency standards along with investment in clean public transportation, so that New Mexicans rely less on individual vehicles, combined with support for low-income residents to obtain more efficient vehicles and infrastructure for electrification. New Mexico demonstrated its commitment to this important work with the adoption of the New Motor Vehicle Emission Standards (91.2.20 NMAC) in 2022. The state must continue these efforts by amending the Environmental Improvement Act to require adoption of mechanisms that will actually reduce air pollution from high carbon fuels with:

- 1) Simple and straight-forward vehicle fuel efficiency requirements.
- 2) Investments in EV infrastructure and meaningful incentives and support for equitable access to electric vehicles.
- 3) Significant investments in public transit throughout the state.
- 4) Infrastructure for 100% renewable energy electrification.
- 5) Meaningful and comprehensive statewide planning for transportation solutions that do not cause harm.



OPPORTUNITY COSTS: THIS BILL WASTES TIME AND RESOURCES & AVOIDS THE HARD WORK NECESSARY TO TRANSFORM OUR SOCIETY CONSISTENT WITH THE SCIENCE. IT IS A CHEAP SHOT THAT ACCOMPLISHES LITTLE TO NOTHING WHILE OPENING THE DOOR TO FURTHER HARM AND DELAY OF THE ENERGY TRANSITION WE NEED.