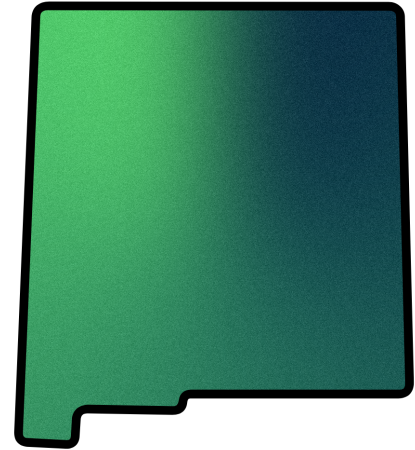


Wins for New Mexico in the Inflation Reduction Act

The Inflation Reduction Act (IRA), which recently passed both houses of Congress and was signed into law by President Biden in August 2022, includes \$370 billion in investments in decarbonizing our economy, transitioning to clean energy, reducing the cost of energy, and remedying environmental health disparities.

These investments are poised to deliver significant wins to New Mexicans in the years to come and can play a big role in helping New Mexico achieve [its greenhouse gas reduction target of a 45% drop in climate pollution by 2030](#) and accelerate its transition to 100% clean energy.



Oil and Gas

Methane leaks from oil and gas wells are by far New Mexico's [largest source of climate pollution](#), at 29% of the state's total.

New Mexico led the nation in adopting a regulation in 2021 requiring that large oil and gas producers capture 98% of fugitive methane, requiring inspection of wells, and banning routine venting and flaring. Following New Mexico's leadership on this issue, [the EPA is now preparing to adopt nationwide rules](#) regulating methane pollution from oil and gas extraction. The IRA builds upon this progress by levying a new fee on methane pollution from oil and gas operations to incentivize better efficiency and emissions controls in the oil and gas sector.

Methane pollution from oil and gas, in addition to endangering the climate, is a significant contributor to ground-level ozone formation, which causes severe respiratory harm in New Mexico communities with elevated levels of ambient ozone.

Renewable Energy

The IRA extends the current federal investment and production tax credits (ITC and PTC) for solar and wind energy until 2025, and establishes a new technology-neutral ITC and PTC for all zero-carbon (and some very low-carbon) electricity generation technologies, from 2025-2032.

- The decade-long extension of the solar and wind production and investment credit will create long-term certainty for the renewable energy industry and reduce or eliminate any costs for New Mexico to achieve its statutory requirement of [100% clean electricity by 2045](#).
- Expanding the ITC and PTC to include energy storage will help integrate intermittent sources of renewable energy like solar and wind and bring down the retail cost of electricity.

- The IRA also provides a “[direct pay](#)” option for non-profit entities that lack federal tax liability (including New Mexico’s rural electric co-ops and municipal utilities like those in Farmington or Gallup), empowering them to receive a cash grant from the Treasury Department for an eligible clean energy project.
- A 10% bonus tax credit is available for energy projects in communities that have historically been home to significant numbers of fossil fuel jobs.

New Mexico is well positioned to be a key engine in the United States’ transition to a clean energy future.

Electric Vehicles

The expanded and extended EV tax credit in the IRA allows low-income car buyers to claim as much as an additional \$7,500 tax credit for the purchase of a new electric vehicle or \$4,000 for the purchase of a used electric vehicle, helping New Mexico achieve the rapid growth in zero-emission vehicle sales required by the [Clean Car Rule](#), reducing costs for drivers, and improving New Mexico’s air quality.

Energy Cost Savings

The IRA extends existing incentives through 2032 to help homeowners pay for energy-saving upgrades. It significantly expands what these incentives can help pay for to include doors, windows, heat pumps for both space heating and water heating, and rooftop solar, helping New Mexicans save money on energy costs.

In addition to the tax incentives, the IRA establishes rebates for specified appliances, like \$1,750 for a heat pump water heater, \$8,000 for a heat pump for space heating or cooling, and \$840 for an electric stove-top or an electric clothes dryer.

For renters, the IRA also includes a \$1 billion grant program to help make affordable housing more energy efficient.

Rural Economies

The IRA includes:

- \$20 billion to support climate-smart agriculture practices and \$5 billion for forest health.
- \$9.7 billion in USDA loans for rural electric cooperatives like Continental Divide Electric Cooperative and Socorro Electric Cooperative to help them acquire renewables and other carbon-free energy.
- \$3 billion for rural energy loans and grants.

Tribal Sovereignty and Resilience

New Mexico's Tribal nations, including the Navajo, Zuni, and Tewa, have been hit hard by the impacts of climate change. The IRA includes dedicated funding to help Tribes decarbonize their economies and adapt to a changing climate.

- \$12.5 million to mitigate drought impact for Tribes.
- \$10 million for Tribal fish hatcheries like the Mescalero Tribal Fish Hatchery and the Navajo Nation Tribal Fish Hatchery.
- \$150 million for Tribal home electrification.
- \$75 million for loans to Tribes for energy development.
- A tenfold increase, from \$2 billion to \$20 billion, in loan guarantees for Tribal energy development.

Environmental Justice

According to Senate Majority Leader Chuck Schumer, the IRA includes over \$60 billion for environmental justice priorities, such as \$3 billion for community-led projects including pollution monitoring and prevention and another \$3 billion for transportation access and affordability in overburdened communities including Albuquerque, Carlsbad, and Farmington.

Greenhouse Gas Reduction Fund

The fund has the potential to build upon and catalyze new clean energy financing ecosystems in states across the country. The EPA and states like New Mexico can use this fund to incubate new green banks and clean energy financing institutions.

New Mexico is well positioned to be a key engine in the United States' transition to a clean energy future. New Mexico leaders should capitalize on the opportunities presented by the IRA, as well as the 2021 Infrastructure Investment and Jobs Act, to catalyze this transition in the years to come.