ppi radically pragmatic

1919 M St NW, Ste 300
Washington, DC 20036
Tel: 202-525-3926
Fax: 202-525-3941
info@ppionline.org

THE NEW MEXICO DILEMMA: BALANCING NET-ZERO AMBITIONS WITH ENERGY REALITIES

By Neel Brown and John Kemp
Progressive Policy Institute
June 2026

New Mexico is the nation's second-largest oil producer and fourth-largest gas producer. The oil and gas industry is the state's largest private sector funder and a massive driver of state budget revenues. Currently, the state is pursuing an aggressive 100% clean grid by 2045 and net-zero emissions by 2050. These goals were established by executive orders in 2019, but not enacted by the legislature. Unlike other energy-producing states like Pennsylvania and Illinois, New Mexico has no nuclear generation and very little hydropower for carbon-free baseload generation. The state's push for retiring gas generation without firm-power replacements that are fully scaled risks capacity shortfalls, price spikes, and driving industrial investments to other states.

The good news is that New Mexico is not facing the dramatic spikes in energy demand and prices that many other states are experiencing. However, doubling down on climate goals without regard for the on-the-ground realities could throw the state into a world of energy scarcity and high prices.

A reasoned and pragmatic approach to lowering carbon emissions should take precedence over arbitrary net-zero dates that do not prioritize the realities of New Mexico's economic drivers, jobs, energy costs, and grid reliability.

NEW MEXICO'S UNIQUE ENERGY PROFILE: GEOGRAPHY, ECONOMY, AND THE GRID

New Mexico's energy consumption (see Fig. 1) and carbon dioxide emissions (see Fig. 2) are well above the national average in relation to its population and size of its economy (see Fig. 3), according to data from the U.S. Energy Information Administration. Energy consumption and emissions are strongly influenced by the state's very low population density as well as its high altitude and arid climate. Transport is the largest source of emissions (see Fig. 4). The formerly coal-dominated electricity system has been transformed into one supplied with large amounts of gas and wind generation plus a rapidly growing solar sector (see Fig. 5). Energy prices are

below average (see Fig. 6), but spending is well above average (see Fig. 7), especially in relation to the state's relatively low level of economic output (see Fig. 8).

In recent years, New Mexico has experienced some of the fastest growth in electricity consumption in the country, coupled with prices that have declined in real terms. Consumption increased at an annual rate of more than 4% between 2019 and 2024, more than four times faster than the average across the country, but retail prices have fallen faster than in any state other than Nebraska and North Dakota.

The state's electricity transmission system is split between the Southwest Power Pool (part of the Midwest Reliability Organization and the Eastern Interconnection) and WECC-Southwest (part of the Western Electricity Coordinating Council and the Western Interconnection). Both have plenty of spare generating capacity and are expected to retain healthy reserve margins through the end of the decade. The Southwest Power Pool is expected to have a reserve margin of 30% in 2026 and at least 23% in 2030. WECC-Southwest has a reserve margin of 41% and is still expected to have a margin of 36% in 2030.

Reflecting plentiful capacity, New Mexico's electricity prices have been declining in real terms. Retail prices for residential customers increased by less than 14% between 2019 and 2024. By contrast, inflation as measured by the consumer price index excluding volatile food and energy items was up by more than 21%. Real residential prices fell by an average of 1.3% per year compared with an increase of more than 0.9% per year nationwide. Only North Dakota and Wyoming (-1.6% per year), South Dakota and Kansas (-1.7%), South Carolina (-2.0%), Alaska (-2.2%), Iowa (-2.4%), and Nebraska (-2.4%) experienced faster price falls in real terms.

New Mexico's low rate increases have continued in 2025 and 2026. So far this year, New Mexico's residential electricity prices have risen by just 0.54 cents per kilowatt-hour (+3.7) compared with a year ago, one of the lower increases in the country, and less than half the national average increase of 1.22 cents (+7.4%).

AMBITIOUS GOALS MEET REALITY

New Mexico Governor Michelle Lujan Grisham set the state's climate goals by executive order in 2019 to reduce carbon emissions by 45% by 2030 and net-zero emissions by 2050. Since then, the state's legislature has consistently voted against codifying those goals into law.

The state has reduced carbon emissions by 21%, primarily by switching from coal to natural gas generation. This is, however, far below the necessary reductions needed to meet the 2030 goal, making the 2050 net-zero goal even less likely to be achieved. The progress has been achieved while energy consumption has risen sharply and while prices have fallen. The large amount of capacity has insulated ratepayers from the price spikes other regions are facing.

New Mexico has some of the strictest methane mitigation regulations in the country. The oil and gas industry is required to capture 98% of its natural gas waste, while venting and flaring are banned except for emergency cases. Strict reporting requirements and zero-emission equipment mandates help reduce greenhouse gas emissions further. New Mexico's emissions intensity is half that of Texas.

New Mexico should continue on the path of emissions reductions through switching further coal generation to natural gas while increasing the deployment of renewable energy through wind and solar. Investing in new renewable technologies like geothermal and small nuclear reactors is a direction that will generate the needed carbon-free baseload. Finally, the state should continue to lead the nation in methane mitigation.

A PRAGMATIC PATH FORWARD FOR NEW MEXICO

- **Adopt Technology-Neutral, Outcome-Based Policies:** Instead of outright bans on specific energy sources, policy should focus on reducing the overall atmospheric carbon. Because the oil and gas industry is essential to New Mexico's economy, the state's Climate Action Plan pragmatically targets methane leak mitigation and carbon capture technologies.
- **Invest in Clean Firm Power to Backstop Intermittent Renewables:** Without nuclear and hydropower's carbon-free baseload generation, the state increasingly relies on wind and solar, and therefore must support continuous generation to meet baseload demand. Switching from coal to gas generation has proven to be the most effective way to reduce carbon emissions around the world. Investments in grid modernization, battery storage technologies, and geothermal energy are needed to bolster carbon-free continuous baseload generation. Supporting emerging clean firm resources, like advanced nuclear energy are also vital to lowering carbon emissions.
- **Protect Consumer Affordability:** While New Mexico has historically enjoyed below-average energy prices, the cost of over-ambitious climate goals will disproportionately burden rural and low-income families. The newly established $210 million Community Benefit Fund must be used to ensure that the costs of emission reduction do not fall entirely on ratepayers.

APPENDIX

New Mexico's energy consumption and carbon dioxide emissions are well above the national average in relation to its population and size of its economy, according to data from the U.S. Energy Information Administration. [1] Energy consumption and emissions are strongly influenced by the state's very low population density as well as its high altitude and arid climate. Transport is the largest source of emissions. The formerly coal-dominated electricity system has been transformed into one supplied with large amounts of gas and wind generation, plus a rapidly growing solar sector. Energy prices are below average, but spending is well above average, especially in relation to the state's relatively low level of economic output.

New Mexico emitted 42 million metric tons of carbon dioxide in 2023. Emissions were well above average in relation to both the state's population and the size of its economy. Emissions per person (20 metric tons) were 40% above the national average (14 tons), while emissions per $1 million of economic output (382 tons) were more than 80% above average (211 tons). But the state has made slightly faster progress than most in reducing them since 2005. Per-person emissions have fallen at an annual rate of 2.4% compared with 2.0% nationwide. Emissions per $1 million of output have declined at about the same rate 3.2% per year) as the country as a whole.

Emissions are dominated by the car-based state's transportation system (16 million tons), with more modest contributions from electricity generation (14 million tons) and industry (9 million tons), and very small amounts from homes (2 million tons) and commercial premises (2 million tons). In New Mexico, as elsewhere, transport has proved the most difficult sector to decarbonize, which explains why the state's emissions have remained relatively high.

Fossil fuels still accounted for 89% of New Mexico's energy consumption in 2023, down from 98% in 2005. But the state has made much faster progress in reducing emissions within the electricity system. Fossil fuels were responsible for just 51% in 2024, down from 97% in 2005. Coal generation has been cut by more than three-quarters and replaced by a combination of gas and wind farms. By 2024, generation was split four ways between wind (15 billion kilowatt-hours), gas (12 billion kWh), coal (8 billion kWh), and utility solar (4 billion kWh). The state had become the country's seventh-largest wind generator and its twelfth-largest solar producer. But there were no nuclear power plants, and the dry climate means almost no hydro, keeping emissions per megawatt higher than in some other states.

New Mexico is among the country's largest oil and gas producers. In 2023, oil output (1.8 million barrels per day) was second only to Texas (5.5 million b/d) and accounted for 14% of the nationwide total. Gas production (9 billion cubic feet per day) ranked

[1] Unless stated otherwise, all the data and rankings in this profile are taken from the most recent online edition of the State Energy Data System (SEDS) published by the U.S. Energy Information Administration and cover energy consumption and emissions through 2023. Emissions are restricted to carbon dioxide (CO_2) from combustion of fossil fuels, excluding fugitive methane, other greenhouse gases, and emissions from land use, land-use change and forestry.

fourth after Texas (32 bcf/d), Pennsylvania (21 bcf/d), and Louisiana (12 bcf/d), accounting for almost 8% of the total. As a result, residential consumers pay among the lowest gas prices in the country.

New Mexico's energy consumption is powerfully shaped by its geography. Most of the state consists of high plateaus and mountains. The average elevation is 4,700 feet above sea level. The state has a mild, arid or semiarid, continental climate characterized by light precipitation, abundant sunshine, and low humidity.[2]

Summers are mild (1,390 cooling degree days on average) with low humidity, creating less demand for air conditioning than average across the country (1,480 cooling degree days). Residential electricity consumption (3,459 kilowatt-hours per person per year) is relatively low (36th) and about 20% below the national average (4,305 kilowatt-hours).

Winters are cold. Heating demand (4,403 heating degree days) is slightly above the national average (3,802 heating degree days). Three-quarters of homes in New Mexico use gas as their main heating fuel compared with just half of all homes nationwide. Just 13% of homes rely on electric heating compared with 34% nationally. With gas also playing a large role in electricity generation, gas consumption per capita is among the highest in the country (9th) and almost 60% above the national average.

The state has one of the largest land areas in the country (5th) but a relatively low population (36th). More than one quarter of the population lives in Albuquerque. The rest of the state is sparsely populated. Population density (18 inhabitants per square mile) is less than one-fifth of the national average (94), ranking it among the least densely inhabited states (45th). At the time of the last Census in 2020, less than 75% of the population lived in areas classified as urban compared with 80% across the country. A slightly higher share lived in single-family homes (65%) than in the country as a whole (62%). Less than 7% of the population live in buildings with 10 apartments or more. The state's larger-than-average dwellings tend to use more energy for heating, cooling, lighting, and power.

Economic output per person ($52,000) is well below the average ($67,000). The state's largest source of employment is education, healthcare, and social assistance, followed by professional and business services, retailing, and entertainment, all of which are labor-intensive and have relatively low value-added. The share of employees working in the public sector (22%) is higher than nationwide (15%). The state is also home to a larger-than-average share of retired people. Median household income ($68,000) is 17% below the national average ($82,000).[3]

New Mexico's highways recorded 28 billion vehicle-miles traveled in 2023. The volume of driving per resident (13,280 vehicle-miles) was among the highest in the country (4th) and about 38% above the national average (9,640). New Mexico has no significant mass transit (less than 1% of the population uses transit to commute to work) so car

[2] *Climate in New Mexico* (New Mexico State University, 2026).
[3] *New Mexico State Profile* (U.S. Census Bureau, 2026).

use is high. Oil consumption per person (23 barrels per year) was slightly above the national average (22 barrels per year).

The state is close to average in terms of total energy spending per person (24th) but in the top third in spending per unit of output (14th). Total spending per person on electricity, gas, and motor fuels ($4,873 per year) is only 5% above the national average ($4,657). But because the state's economic output is low, spending is significantly higher as a percentage of the state's economic output (7.66%) than in the country as a whole (5.66%).

Energy consumption and spending

Energy consumption per person (321 million British thermal units) was moderately above the national average (278 million BTUs) in 2023. New Mexico ranked 18th among the states for energy use per person. Per capita consumption in the residential sector is among the lowest in the country (47th) on account of the state's climate. But energy use per person in the transportation sector is among the highest (10th) on account of long traveling distances and a lack of public transport.

Energy consumption per $1 million of output (6.17 billion BTU) was even further above the national average (4.13 billion BTU). New Mexico ranked 15th among the states for the energy intensity of its GDP, mostly because the value of the state's output is low. Since 2005, the state's disadvantage has widened further, with consumption per unit of output declining (1.4% per year) more slowly than in the country as a whole (2.2% per year).

Energy prices were below the national average for electricity (-25%), gas (-22%), and gasoline (8%) in 2023. But total spending on energy was higher than average because consumption is so much greater than in many other areas of the country outside the residential sector. Residents spent about $200 per year more on energy than the typical across the country. Spending was even higher in relation to the state's below-average GDP. Energy absorbed 7.7% of the state's GDP compared with 5.7% in the United States as a whole.

In 2024, residential electricity prices (14.2 cents per kilowatt-hour) were 14% lower than across the country as a whole (16.5 cents). Residential use ranked fairly low (36th) (3,459 kilowatt-hours per person) and 20% below average (4,305 kWh per person) because of limited air conditioning. But air conditioning is becoming more common, and residential electricity consumption has grown at an average annual rate of 0.7% since 2005, in contrast to a decline of 0.4% countrywide as a result of efficiency improvements.

Gas consumption by all sectors surged to 159 million BTU per person in 2023 from 117 million in 2005. New Mexico is among the highest per capita gas consumers (9th), with consumption per person nearly 60% higher than the national average (100 million BTU). Since 2005, gas use per person has increased (1.7% per year) faster than the national

rate (1.5% per year). Residential gas prices ($11.66 per thousand cubic feet) were about 24% below the national average ($15.39), moderating the impact on bills in 2023.

Recent developments in electricity prices (2019-2025)

In recent years, New Mexico has experienced some of the fastest growth in electricity consumption in the country, coupled with prices that have declined in real terms. Consumption increased at an annual rate of more than 4% between 2019 and 2024, more than four times faster than the average across the country, but retail prices have fallen faster than in any state other than Nebraska and North Dakota.

The state's electricity transmission system is split between the Southwest Power Pool (part of the Midwest Reliability Organization and the Eastern Interconnection) and WECC-Southwest (part of the Western Electricity Coordinating Council and the Western Interconnection). Both have plenty of spare generating capacity and are expected to retain healthy reserve margins through the end of the decade. The Southwest Power Pool is expected to have a reserve margin of 30% in 2026 and at least 23% in 2030. WECC-Southwest has a reserve margin of 41% and is still expected to have a margin of 36% in 2030.[4]

Reflecting plentiful capacity, New Mexico's electricity prices have been declining in real terms. Retail prices for residential customers increased by less than 14% between 2019 and 2024. By contrast, inflation as measured by the consumer price index excluding volatile food and energy items was up by more than 21%. Real residential prices fell by an average of 1.3% per year compared with an increase of more than 0.9% per year nationwide. Only North Dakota and Wyoming (-1.6% per year), South Dakota and Kansas (-1.7%), South Carolina (-2.0%), Alaska (-2.2%), Iowa (-2.4%), and Nebraska (-2.4%) experienced faster price falls in real terms.

New Mexico's low rate increases have continued in 2025 and 2026. So far this year, New Mexico's residential electricity prices have risen by just 0.54 cents per kilowatt-hour (+3.7) compared with a year ago, one of the lower increases in the country, and less than half the national average increase of 1.22 cents (+7.4%).

[4] *Long-Term Reliability Assessment* (North American Electric Reliability Corporation, January 2026).

Figure 1: State-level energy consumption in 2023
million British thermal units per capita

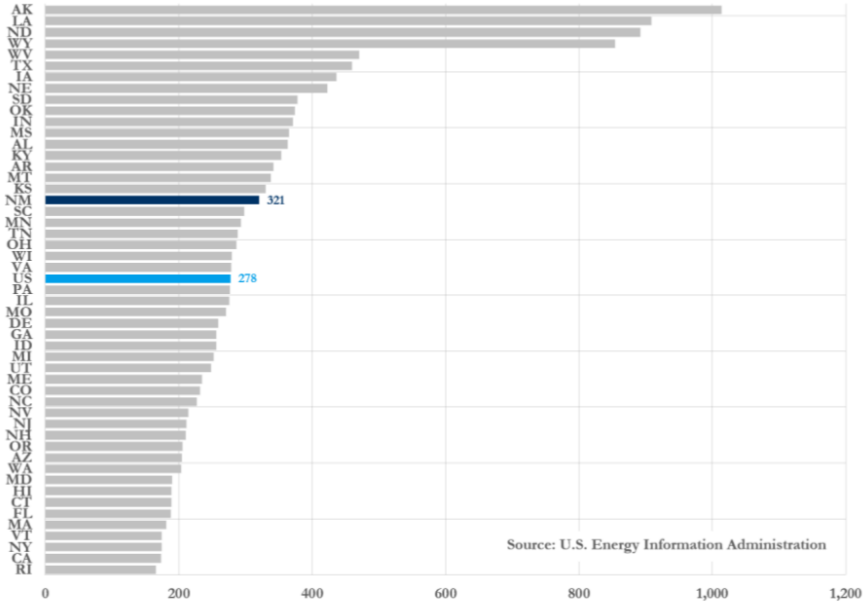


Figure 2: State-level energy-related carbon dioxide emissions in 2023
metric tons per U.S.$(2017) 1 million

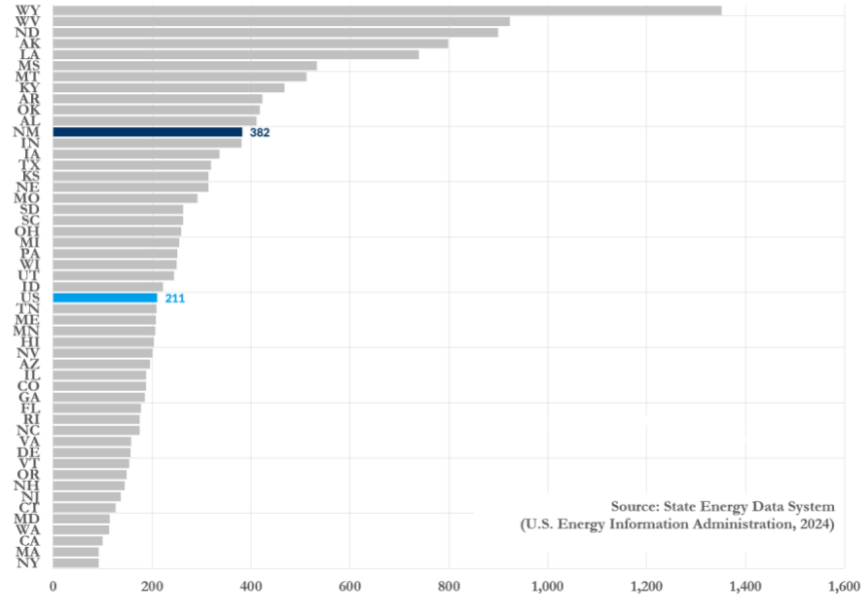


Figure 3: State-level energy-related carbon dioxide emissions in 2023

metric tons per capita

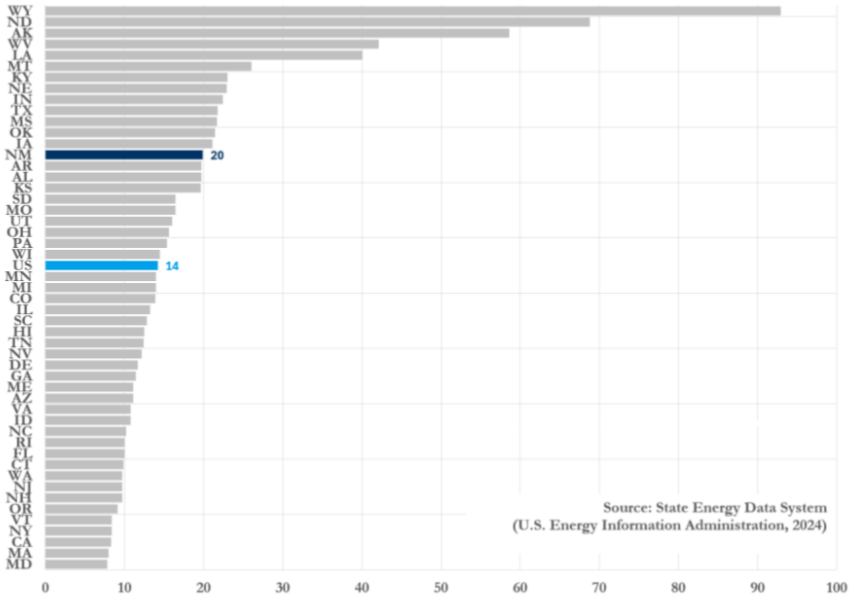
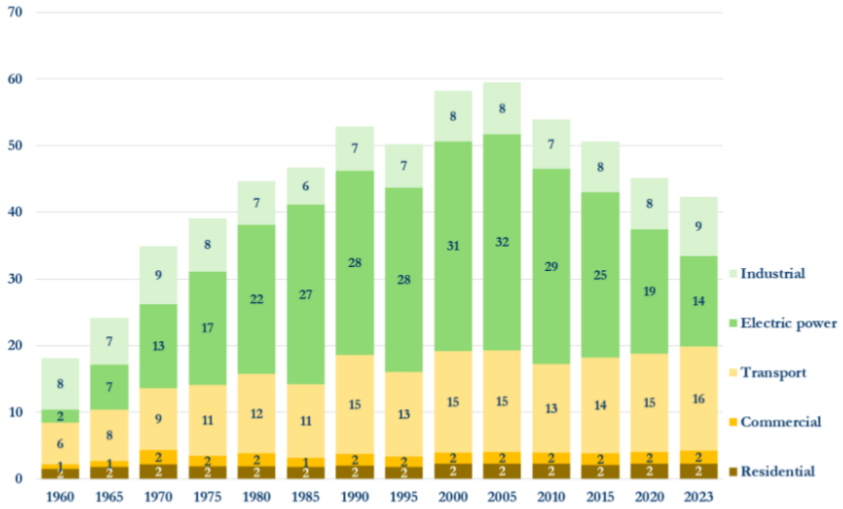
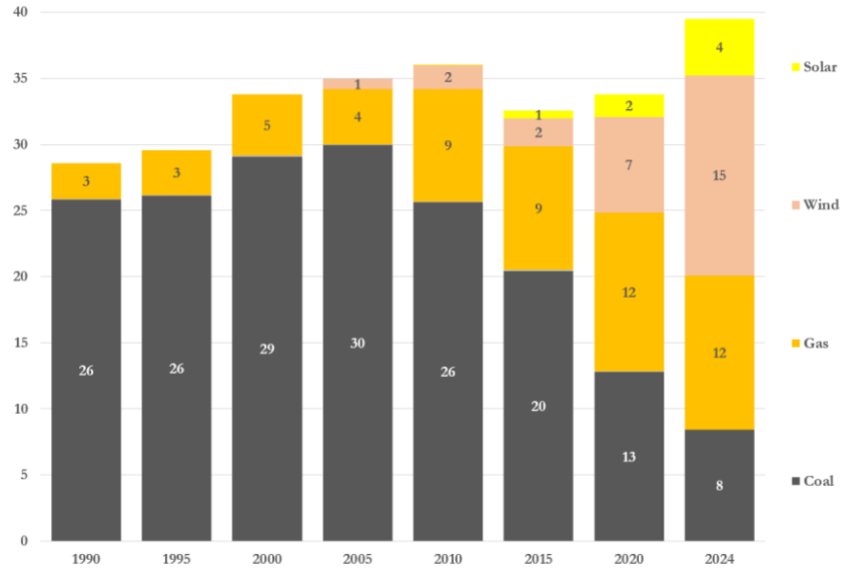


Figure 4: New Mexico state energy-related carbon dioxide emissions, 1965-2023
million tonnes per year



Source: State Energy Data System (U.S. Energy Information Administration, 2024)

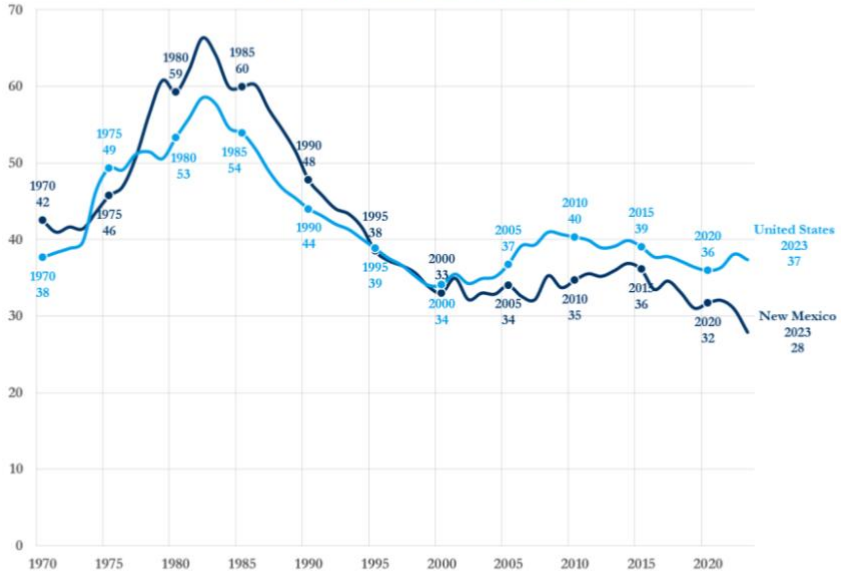
Figure 5: New Mexico state electricity generation, 1990-2024
billion kilowatt-hours (TWh), annual



Source: Electric Power Annual (U.S. Energy Information Administration, 2025)

Figure 6: New Mexico state electricity prices, 1970-2023

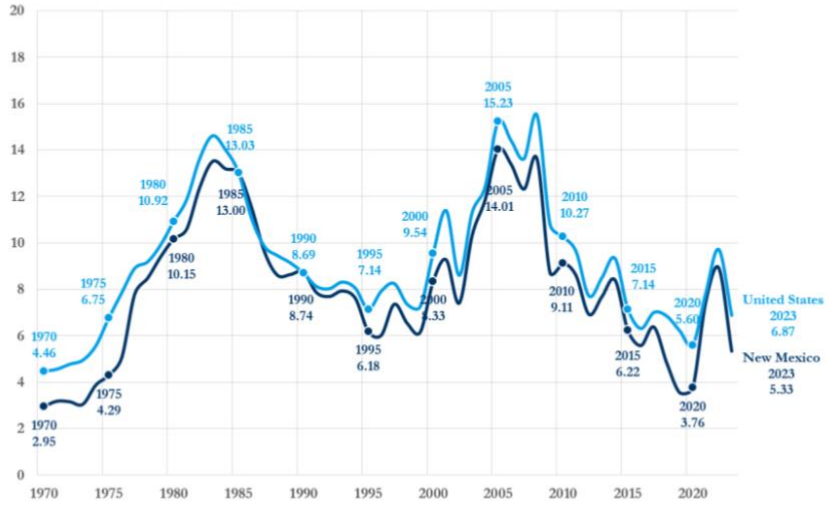
U.S.$ (2023) per million British thermal units



Source: State Energy Data System (U.S. Energy Information Administration, 2024)

Figure 7: New Mexico state gas prices, 1970-2023

U.S.$ (2023) per million British thermal units



Source: State Energy Data System (U.S. Energy Information Administration, 2024)

Figure 8: State energy spending per capita in 2023

U.S.$ (2023) annual expenditure on petroleum fuels, gas and electricity

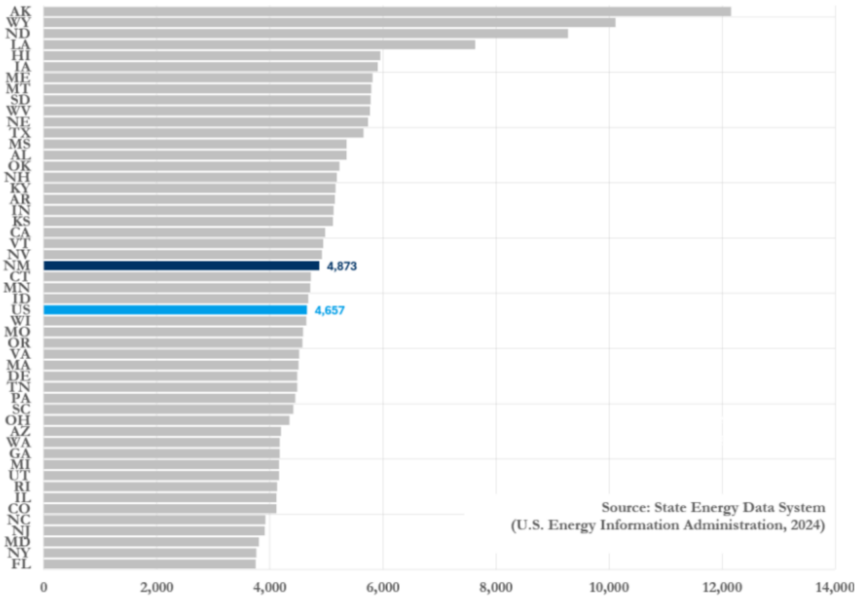


Figure 9: State energy spending as percent of GDP in 2023

annual expenditure on petroleum fuels, gas and electricity