



Rio Grande

≡ FOUNDATION ≡

Modeling the Cost of New Mexico's Low Carbon Fuel Standard

ALWAYS ON ENERGY RESEARCH &
RIO GRANDE FOUNDATION

August 2024

Isaac Orr, Mitch Rolling, & Paul Gessing



Modeling the Cost of New Mexico's Low Carbon Fuel Standard

In March 2024, New Mexico became the fourth state to enact California's Low Carbon Fuel Standard (LCFS), joining California, Oregon, and Washington. In New Mexico, these regulations are referred to as the Clean Transportation Fuel Standards (CTFS). They were adopted via [House Bill 41](#), which passed during the 2024 30-day session of the New Mexico Legislature. All Republicans and some Democrats opposed the legislation, but it passed New Mexico's Democrat-controlled Legislature and is the topic of public hearings before being fully implemented.

The CTFS will phase in gradually, with the aim of achieving a [20% reduction](#) in carbon intensity below a 2018 baseline by 2030 and a 30% reduction by 2040.

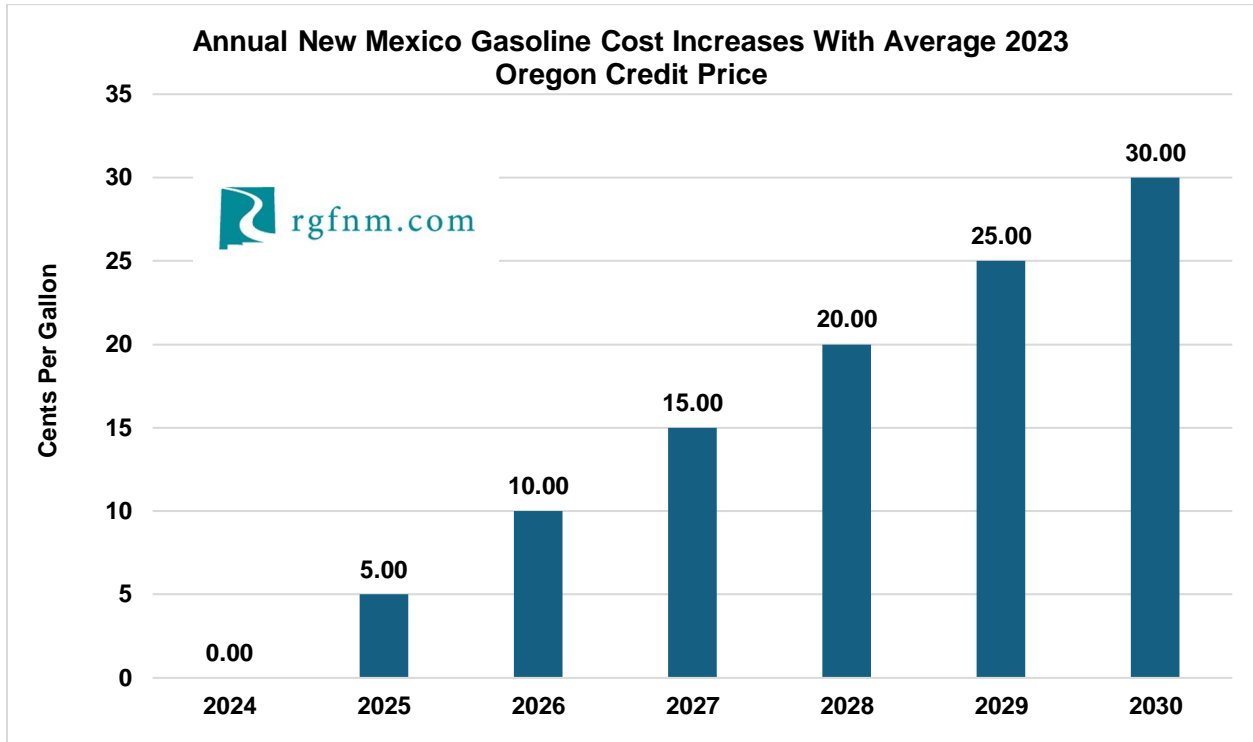
Using the formula provided by the Oregon Department of Environmental Quality and the average credit price in Oregon for the year 2023 (\$129.75 per credit), Always On Energy Research (AOER) determined that these regulations will increase gasoline and diesel prices by 30 cents and 34.7 cents per gallon, respectively, by 2030. *By 2040, the regulations will cause gas prices to be 45 cents per gallon higher than they otherwise would be, and diesel prices will be 52 cents higher.*

These findings are consistent with reports produced by Oregon's Department of Environmental Quality (DEQ), which shows rising costs resulting from the regulations each year as the regulations require greater reductions of carbon dioxide emissions from fuels used by the transportation fleet. Oregon credit prices were used because, unlike California and Washington, it does not have a carbon tax, so Oregon provides the best comparison for the New Mexico program.

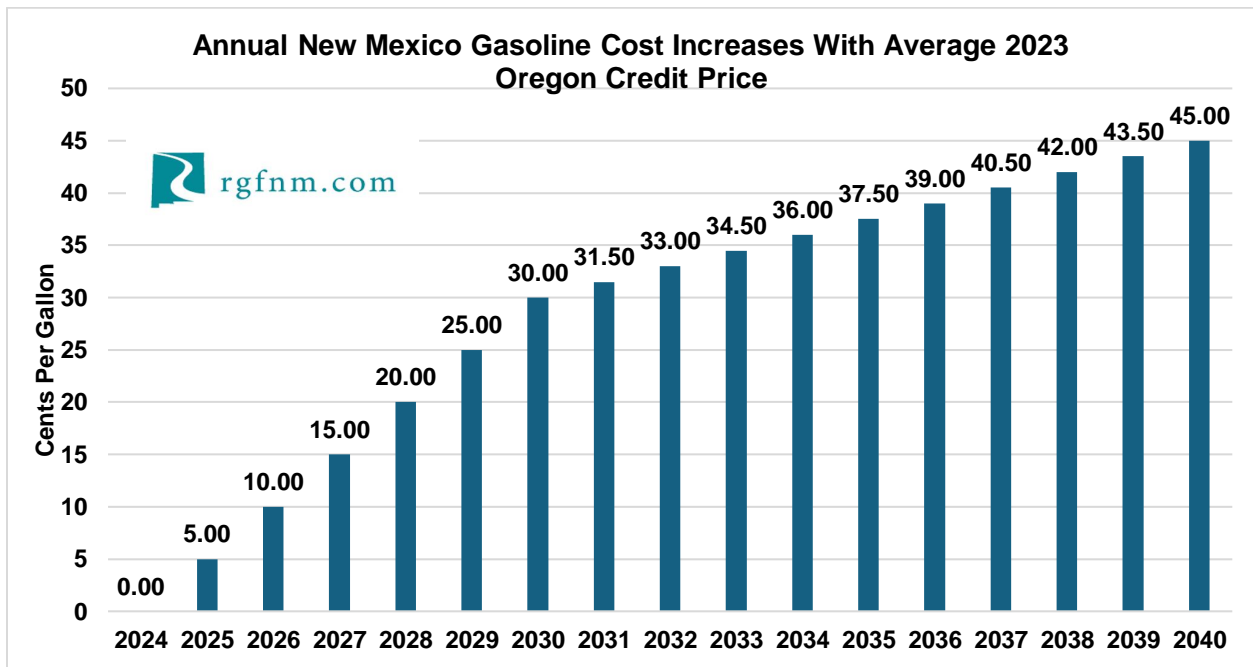
The increase in fuel costs for New Mexico families will be significant. By 2030, households will pay an additional \$340 for gasoline, absent the rules, and the additional per household cost of diesel will increase by \$327. Diesel is primarily used in trucking and heavy industry, so these costs will likely impact New Mexicans in the form of higher prices for goods and services.

By 2040, the average household in New Mexico will pay an additional \$510 for gasoline and \$490 for diesel fuel because of the CTFS.

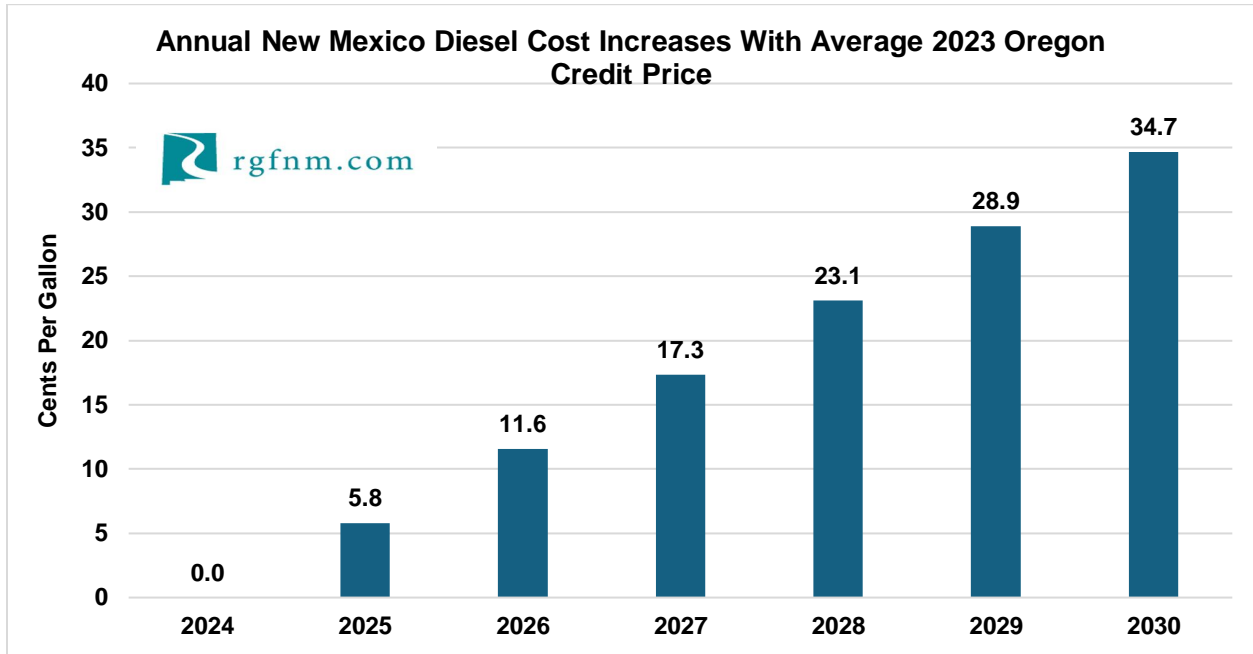
Gasoline Costs through 2030



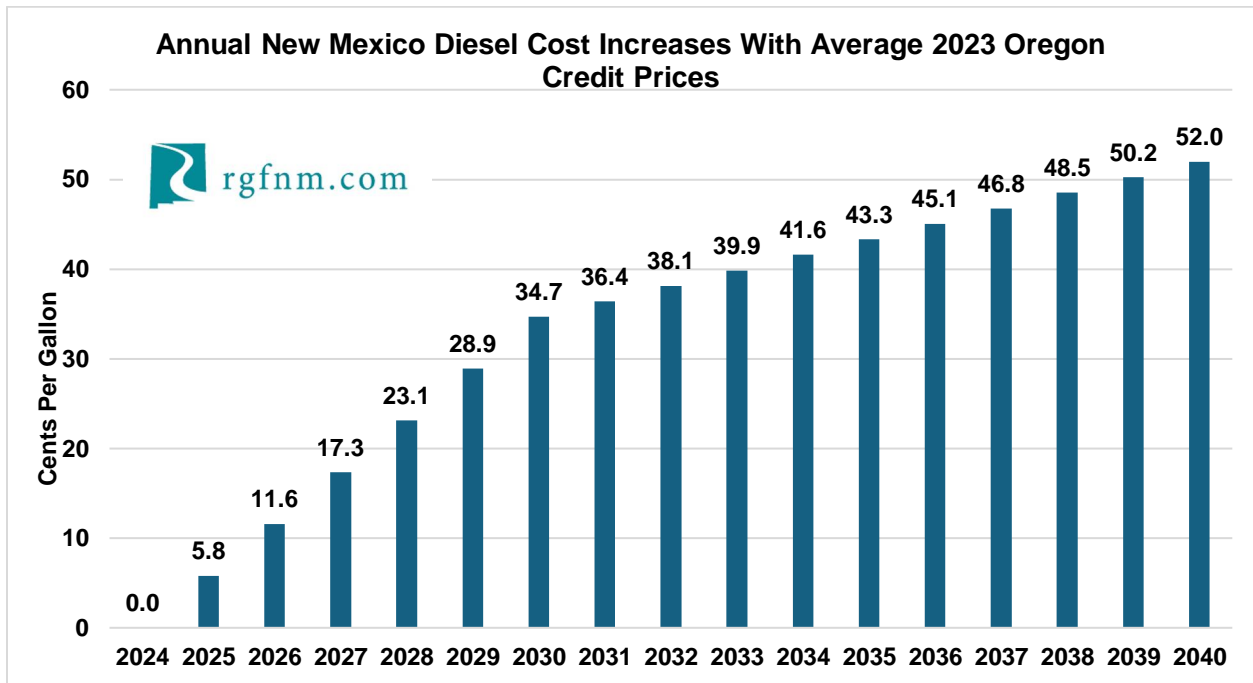
Gasoline Costs of the CTFS through 2040



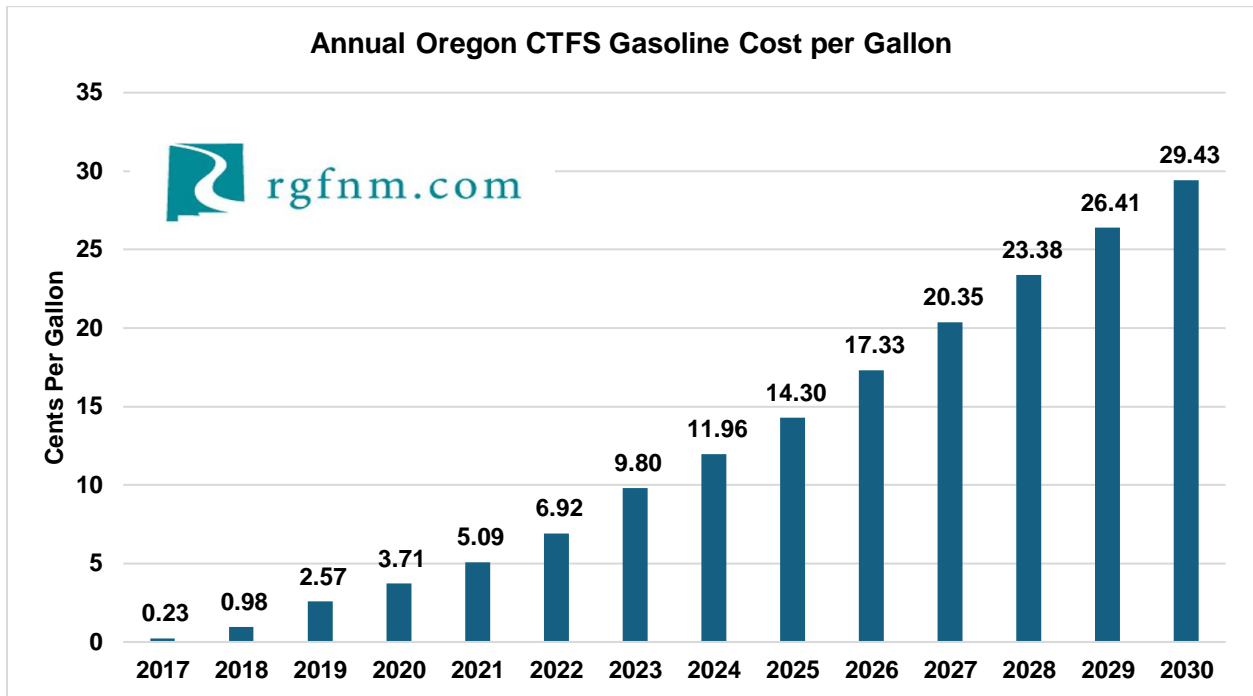
Diesel Costs of the CTFS through 2030



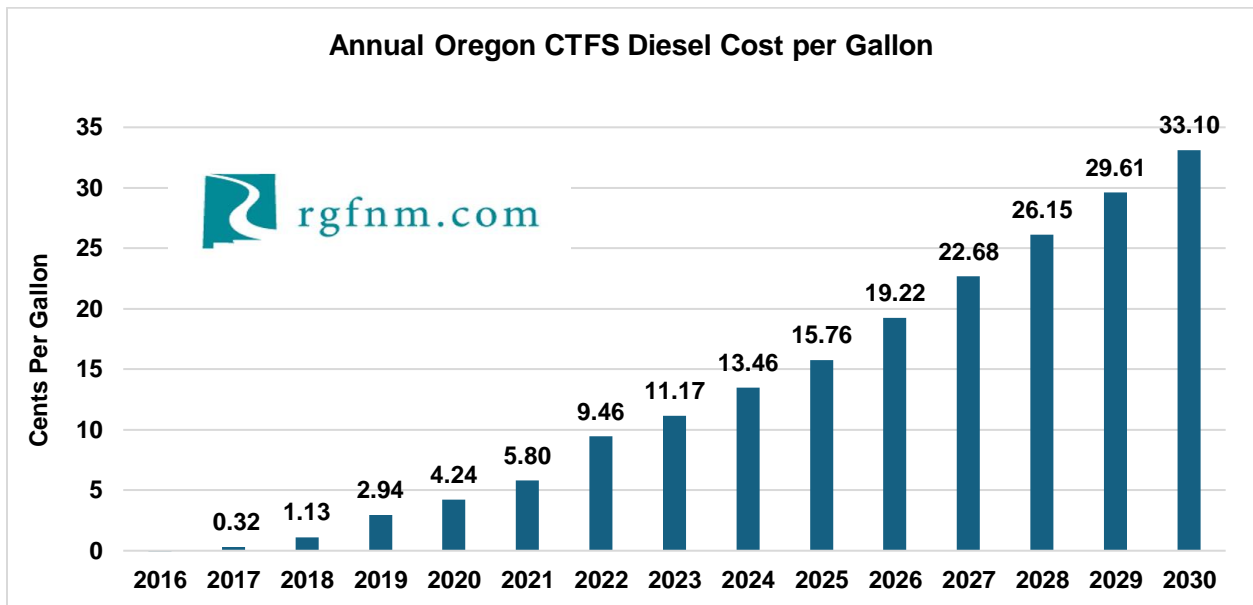
Diesel Costs of the CTFS through 2040



Oregon Gasoline Costs CTFS



Oregon Diesel Prices



Gasoline Costs Per New Mexican Household

Per household costs were calculated by taking the increase in gasoline costs due to the CTFS and multiplying that increase by the average number of gallons of gasoline consumed for New Mexican Households.

Gasoline Costs CTFS in New Mexico	
Barrels of Gasoline Consumed 2022	22,890,000
Gallons Per Barrel	42
Gallons	961,380,000
Households (Census Data)	848,218
Gallons Per Household	1,133
Cost Increase 2030	340.02
Cost Increase 2040	510.04

Diesel Costs Per Household

Per household costs were calculated by taking the increase in diesel costs due to the CTFS and multiplying that increase by the average number of gallons of gasoline consumed for New Mexican Households.

Diesel Costs CTFS in New Mexico	
Barrels of Diesel Consumed 2022	19,064,000
Gallons Per Barrel	42
Gallons Consumed 2022	800,688,000
Households (Census Data)	848,218
Gallons Per Household	944
Cost Increase 2030	\$327.56
Cost Increase 2040	\$490.86

About the Authors

Isaac Orr is a founder and Vice President of Research at Always On Energy Research, where he conducts energy modeling and writes about energy and environmental issues, electricity policy, and natural resource development. His writings have appeared in The Wall Street Journal, USA Today, the New York Post, The Hill, and many other publications.

Mitch Rolling is a founder and Director of Research at Always On Energy Research, where he models energy proposals, analyzes the energy industry and electricity policy, and writes about energy and environmental issues. His research has been featured in publications such as The Wall Street Journal and Forbes.

Paul Gessing is president of the Rio Grande Foundation, New Mexico's free market think tank.

The Rio Grande Foundation is a 501(c)(3) nonpartisan nonprofit that works to increase liberty and prosperity for all of New Mexico by informing citizens of the importance of individual freedom, limited government, and economic opportunity.



Rio Grande Foundation
400 Gold Ave SW, STE 909
Albuquerque, NM 87102