

New Mexico 2027 Transportation Fuel Supply Forecast

2027 Fuel Supply Forecast

New Mexico Department of Transportation

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Table of Abbreviation

Acronym	Expansion
45Z	Section 45Z Production Tax Credit
ACCII	Advanced Clean Cars II
ACT	Advanced Clean Trucks
BBD	Biomass-based diesel
BEV	Battery Electric Vehicles
BOHO	Bean Oil Heating Oil spread
CARB	California Air Resources Board
CFP	Oregon Clean Fuels Program
CFS	Washington Clean Fuel Standard
CI	Carbon Intensity
CNG	Compressed Natural Gas
CTFP	New Mexico Clean Transportation Fuel Program
DEQ	Oregon Department of Environmental Quality
DGE	Diesel Gallons Equivalent
DOE	U.S. Department of Energy
EDU	Electricity Distribution Utility
EER	Energy Economy Ratio
EIB	New Mexico Environmental Improvement Board
EPA	US Environmental Protection Agency
FOG	Fats, Oils and Grease
GGE	Gasoline Gallons Equivalent
GWh	Gigawatt-hours
HDV	Heavy-Duty Vehicle
ILUC	Indirect Land-Use Change
LCFS	Low Carbon Fuel Standard
LDV	Light-Duty Vehicle
LPG	Liquefied Petroleum Gas
MDV	Medium-Duty Vehicle
MJ	Megajoules
MPGe	Miles per gallon equivalent
MT	Metric Tons
NMDOT	New Mexico Department of Transportation
NMED	New Mexico Environment Department
OEA	Oregon Office of Economic Analysis
PHEV	Plug-in electric vehicles

Acronym	Expansion
PNM	Public Service Utility of New Mexico
REC	Renewable Energy Certificate
RFS	Renewable Fuel Standard
RIN	Renewable Identification Number
RNG	Renewable Natural Gas
SEDS	U.S. EIA State Energy Data Systems
STEO	U.S. EIA Short Term Energy Outlook
UCO	Used Cooking Oil
ZEV	Zero Emission Vehicles

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1. Introduction/Background

The New Mexico Clean Transportation Fuel Program (20.2.92 NMAC) (CTFP) requires the impartial preparation of a transportation fuel supply forecast to be annually arranged for the following calendar year, as set forth in Paragraph (1) of Subsection D of 20.2.92.601 NMAC. This forecast report summarizes the transportation fuel supply forecast for calendar year 2027. As set forth by the Paragraph (1) of Subsection D of 20.2.92.601 NMAC, this report considers the New Mexico State Road Fund revenue forecast, as well as other national historical and forecast data in preparing the supply forecast. This forecast is prepared prior to the release of CTFP quarterly fuel reporting data for the first activity quarter of April-June 2026. Therefore, this forecast report provides relatively greater weight to data and trends from other states with CTFP-like programs (namely, Oregon, Washington, and California) to illustrate the adoption curves of lower carbon intensity fuel sources, the average realized carbon intensity of fuels, and other similar data. This report summarizes the forecast results and methodology for the 2027 forecast. Subsequent forecasts are anticipated to rely on New Mexico published data, which will require a change in methodology.

This report will:

- Develop a demand forecast for gasoline, gasoline alternatives, diesel, diesel alternatives (primarily biodiesel and renewable diesel), electricity, and other gaseous fuels including natural gas, liquified petroleum gas, and renewable natural gas.
- Determine the availability of fuels to meet New Mexico's demand.
- Develop a net credit generation forecast from supplying these fuels.
- Estimate total banked credits and deficits at the beginning of the compliance period.
- Estimate the necessary number of credits to meet CTFP requirements during the compliance period.

This report also states key assumptions and drivers of uncertainty in the calculations and analysis and potential impacts or implications of changing assumptions on key findings.

2. Data and Methodology

Data Sources

This report relies upon available public data to develop the estimates regarding project volumes and availability of the vehicle fuels, as well as the carbon intensity (CI) values used in estimating the available credits necessary to comply with the New Mexico Clean Transportation Fuel Program requirements. The sources of this data are as found in **Table 1** below:

Table 1: Data Sources

Source	Description of Data Used
New Mexico Department of Transportation (NMDOT)¹	Diesel, Gasoline, liquefied petroleum gas (LPG), liquefied natural gas (LNG), compressed natural gas (CNG) and electric vehicle (EV) forecast provided by New Mexico Department of Transportation (NMDOT) to forecast clear diesel, clear gasoline, ethanol, natural gas and electric vehicle forecast in New Mexico.
New Mexico Environment Department (NMED)	Carbon intensities from the New Mexico Statewide Fuel Pathway Lookup Table (20.2.92.701(D) NMAC) and the New Mexico Temporary Fuel Pathways (20.2.92.701(E) NMAC) ² ; 2025 Electricity Distribution Utility (“EDU”) data to calculate utility weighted average CI for electricity. ³
New Mexico Environmental Improvement Board (EIB)	New Mexico Temporary Fuel Pathways Carbon Intensity; ⁴ New Mexico Gasoline/Gasoline Substitute ⁵ and Diesel/Diesel Substitute CI; ⁶ New Mexico Energy Densities of Transportation Fuel Types; ⁷
Atlas Public Policy⁸	Evaluate NM is used to identify number of electric vehicles (EVs) per utility in New Mexico and benchmark number of electric vehicles for electricity forecast credit generation to June 2025.

¹ Data provided by NMDOT

² NM CTFP Approved Fuel Pathways. New Mexico Environment Department.

³ New Mexico Environment Department, “2025 Electricity Distribution Utility (EDU) Carbon Intensity (CI) Summary”.

⁴ EIB 25-23 (SOR), Exhibit A, Table 5. New Mexico Environmental Improvement Board, “Clean Transportation Fuel Program.”

⁵ EIB 25-23 (SOR), Exhibit A, Table 3. New Mexico Environmental Improvement Board, “Clean Transportation Fuel Program.”

⁶ EIB 25-23 (SOR), Exhibit A, Table 2. New Mexico Environmental Improvement Board, “Clean Transportation Fuel Program.”

⁷ EIB 25-23 (SOR), Exhibit A, Table 7. New Mexico Environmental Improvement Board, “Clean Transportation Fuel Program.”

⁸ EvaluateNM. Atlas Public Policy

Source	Description of Data Used
U.S. Environmental Protection Agency (EPA)	Final Renewable Volume Obligations (RVOs) mandated by EPA for 2026 and 2027;⁹ Historical and current Renewable Identification Number (RIN) prices;^{10,11} RIN generation and transactions for Renewable Natural Gas (RNG) availability for D3 RINs.^{12,13} Expected national supply for Ethanol, Biodiesel and Renewable Diesel.¹⁴
U.S. Energy Information Administration (EIA)	EIA State Energy Data Systems (SEDS) for historical volume of Biomass Based Diesel (BBD) consumption.¹⁵ Monthly U.S. biofuels production capacity for Supply Forecast.¹⁶ EIA Short Term Energy Outlook (STEO) for US biofuel supply, consumption and inventories to calculate available to New Mexico.¹⁷ EIA Petroleum and Other Liquids data for changes in feedstock composition between seed oil and non-seed oil sources for biofuel production;¹⁸ 2024 and 2025 EIA Petroleum & Other Liquids for ethanol and finished motor gasoline refinery & blender input¹⁹
Washington State Department of Ecology Quarterly Data Summaries²⁰	Quarterly Data Summary: Washington Quarterly Summary data to calculate New Mexico's ethanol, renewable diesel and natural gas blend rate. Fuel Pathways and Carbon Intensity: 2026 Approved Fuel Pathway Codes, to identify supplies overlapping with New Mexico.²¹

⁹ Final Renewable Fuel Standards for 2026 and 2027, U.S EPA.

¹⁰ RINs are the name of credits under the RFS.

¹¹ RIN Trades and Price Information. U.S EPA.

¹² D3 RINs satisfy the cellulosic biofuel requirement. Renewable natural gas is an eligible fuel for generating D3 RINs.

¹³ RINs Generated Transactions. U.S. EPA.

¹⁴ U.S. EPA Renewable Fuel Standard Program. U.S. EPA

¹⁵ 2024 State Energy Data System (SEDS). *EIA*.

¹⁶ Monthly Biofuels Capacity and Feedstock Update. *EIA*

¹⁷ Short Term Energy Outlook. *EIA*.

¹⁸ Petroleum and Other Liquids. *EIA*

¹⁹ 2025 EIA Petroleum & Other liquids - Finished Ethanol. *EIA*; 2024 EIA Petroleum & Other liquids - Finished Ethanol. *EIA*; 2024 EIA Petroleum & Other Liquids – Finished Motor Gasoline. *EIA*

²⁰ Washington CFS 2026 Q1 Quarterly Summary. *Washington Department of Ecology*.

²¹ WA Approved Fuel Pathways. *Washington Department of Ecology*.

Source	Description of Data Used
	Utility Specific Carbon Intensity of Electricity: Washington’s volume weighted energy economy ratio (EER) data to forecast EER in New Mexico. Feedstock Summary: Feedstock composition to BBD production to determine biodiesel and renewable diesel realized CI.
California Air Resources Board (CARB)	California 2025 BBD consumptions to allocate available BBD volume to low carbon fuel standard states ²²
Oregon Office of Economic Analysis (OEA)	2027 Oregon Clean Fuels Forecast to calculate available fuel supplies from refineries registered in both Washington and Oregon; LPG/Propane and natural gas growth rates to apply to New Mexico’s LPG/Propane demand forecast. ²³
Oregon Department of Environmental Quality (DEQ)	2026 Oregon Clean Fuel Program (CFP) Q1 quarterly summary to calculate Oregon BBD consumption and blend rate. ²⁴
Oregon Department of Energy (DOE)	Oregon Electric Vehicle dashboard to calculate electricity consumption per electric vehicle
U.S. Federal Congress	Section 45Z to set assumptions on tax incentives for biodiesel, which includes seed oils, corn oil, and renewable diesel made from Used Cooking Oil (UCO) and Fats, Oil and Grease (FOG). ²⁵

Methodology and Assumptions

This analysis employs several methodologies to forecast New Mexico’s future demand as described below. To ensure the accuracy of the forecast, each fuel requires a different approach, accounting for a variety of assumptions, provided in **Table 2** below.

Table 2: Methodology and Assumptions for Demand Forecasts of Fuels

Fuel	Methodology
Electricity	Volumes Forecast. BRG staff use the EV forecast provided by NMDOT and uses Battery Electric Vehicles (BEVs) and Plug-in

²² Low Carbon Fuel Standard Reporting Tool Quarterly Summaries. *California Air Resources Board*.

²³ 2027 Clean Fuels Forecast. *Oregon Office of Economic Analysis*.

²⁴ Quarter 1 2026 Spreadsheet. Oregon Clean Fuels Program. *Oregon.gov*

²⁵ Section 45Z Clean Fuel Production Credit. *Congress.gov*.

Fuel	Methodology
	electric vehicles (PHEVs), which includes Light Duty Vehicles (LDV) and Medium Duty Vehicles (MDVs). The forecast is compared to Oregon’s June 2025 electric vehicle fleet to BEVs to PHEVs within the state (in 2025 New Mexico had 70% BEVs and 30% PHEVs, while Oregon had 71% BEVs and 29% PHEVs). BRG staff then use Oregon’s on-road electricity consumption to calculate electricity consumption per vehicle, which is then multiplied by New Mexico’s EV forecast to calculate New Mexico’s on-road electricity demand forecast. CI Forecast. BRG staff use EV population-weighted CI by utilities in New Mexico to calculate the forecast’s realized CI and use Washington’s utility-weighted EER to forecast realized EER in New Mexico.
Biomass-based diesel (Renewable Diesel and Biodiesel)	Baseline consumption. U.S. baseline biodiesel and renewable diesel consumption by state is calculated using 2024 EIA SEDS, where state-reported volumes replace EIA SEDS for states with clean fuel programs in 2024 (Washington, Oregon, and California) to reflect ongoing state clean fuel program targets. Biomass-based diesel forecasts. Biodiesel and renewable diesel forecasts are sourced from the EIA STEO. The percentage of each fuel that is used by states without CTFP-like policies is estimated using SEDS data. A five-year trend is used to project minimum U.S. BBD demand in states without CTFP-like policies. Feedstock composition. EIA’s Monthly Feedstock Report is used to calculate the share of seed oils (largely soybean oil and canola oil) versus non-seed oils as a percentage of total BBD volume. This share is applied to estimate available seed oil BBD available to New Mexico from accounting for nationwide feedstock constraints. Volume forecast. New Mexico’s available BBD volumes for 2026 and 2027 are calculated using BBD volumes available to New Mexico after calculating expected volumes consumed in

Fuel	Methodology
	other states with CTFP-like policies, as well as states without CTFP-like policies. These volumes are capped at the blend rate levels described below. The biodiesel blend rate is estimated at 2% in 2025, based on biodiesel consumption from SEDS divided by total diesel consumption reported by NMDOT. The blend rate is then allowed to grow at up to the rate that Washington's biodiesel blend rate grew during the first two years of its program. This is calculated as an annual potential growth rate, as biodiesel consumption was not growing nationwide at the rate currently expected at the start of Washington's program. The renewable diesel blend rate is calculated using Washington's blend rate growth during the first seven quarters since the inception of its CFS program, which began in 2023. The projected blend rate is then applied to NMDOT's total diesel forecast to estimate renewable diesel consumption. This rate is used because renewable diesel consumption was rapidly increasing during the first two years of the program, and reflects the infrastructure startup challenges that may arise as renewable diesel is brought into New Mexico. CI forecast. Realized CIs for BBD are calculated based on the amount of canola and soybean oil used in feedstock. This is a conservative assumption, based on the assumption that supply chains are well-developed for BBD created from lower-CI feedstock to the West Coast states, but that New Mexico will be well-positioned to take advantage of new volumes of BBD derived from higher-CI feedstocks coming online for federal renewable fuel standard (RFS) compliance purposes.
Other Liquid Fuels (Clear Gasoline, Clear Diesel, Ethanol)	Volumes forecast: BRG staff uses data provided by NMDOT to forecast quarterly gasoline and diesel consumption. Clear gasoline consumption equals total gasoline consumption less ethanol consumption. Similarly, clear diesel equals total diesel consumption less biodiesel and renewable diesel consumption.

Fuel	Methodology
	Blend rate: Ethanol blend rate in New Mexico is calculated using SEDS and EIA data to gather historical New Mexico blend rate. Then the blend rate is grown as observed in Washington state. This is being done to reflect rising RIN prices pushing for higher blend rates.
Natural Gas & Liquified Petroleum Gas	RNG blend rate is forecasted using the blend growth observed in Washington. The 2027 Oregon CFP forecast’s growth rate is applied to New Mexico historical data to determine consumption of natural gas and LPG. RNG blend rate is forecasted using Washington’s blend rates from the first seven quarters since the program’s inception. The blend rate is applied to total natural gas consumption in New Mexico, with data provided by NMDOT to calculate total on-road natural gas consumption. Fossil natural gas consumption is calculated as total natural gas less renewable natural gas consumption during the compliance period.

Per discussions with NMDOT, and in line with the fuel supply forecasts in Oregon and Washington, this fuel supply forecast prepares a fuel supply forecast for potentially limited biofuels. As instructed by NMDOT, and as is practice in Oregon and Washington, this report similarly does not quantify supply availability for mature fuel sources in New Mexico. These include clear gasoline and diesel, electricity, fossil-derived natural gas, and liquified petroleum gas (LPG), which includes propane. Each source has longstanding availability to consumers within the state and supply of these fuels is not expected to be binding for the 2027 compliance period.

3. Trends in biomass-based diesel in the United States

BRG staff expect the start of the New Mexico CTFP to coincide with a period of rapidly rising supply availability for biomass-based diesel, which includes biodiesel and renewable diesel.

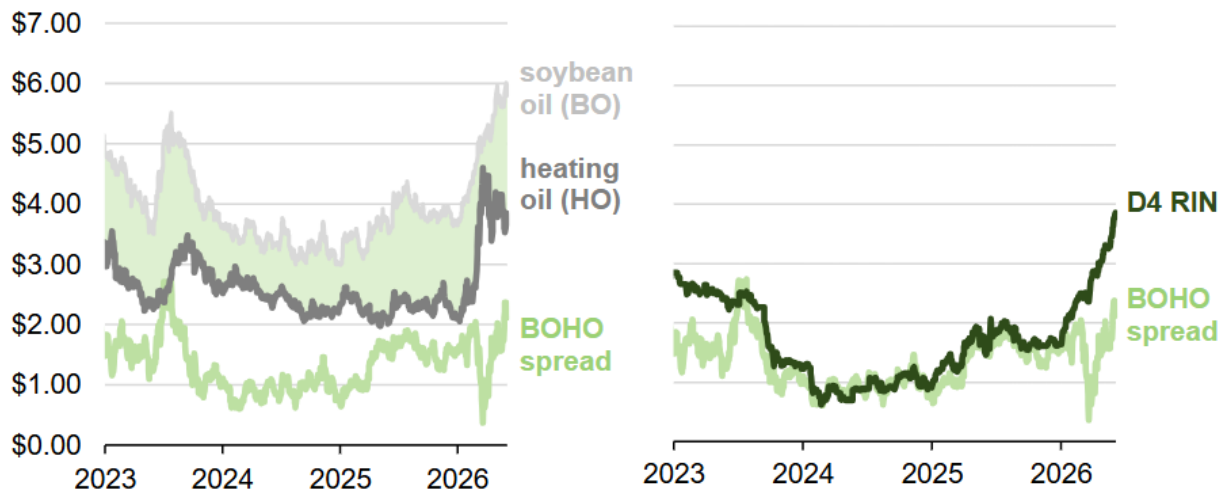
Despite the U.S. experiencing a historical nationwide drop in biodiesel and renewable diesel consumption volumes in 2025, BRG staff expect higher volumes with higher CIs in 2026 and 2027.

This outlook is supported by continued growth in U.S. BBD volumes. EPA's latest RFS standard increases BBD volume requirements from 3.35 billion gallons in 2025 to 5.33 billion gallons in 2026, a 59% increase. The requirement rises by another 7.9% in 2027 to 5.75 billion gallons. These higher requirements have increased D4 RIN prices to recent historical highs.

This outlook is supported by continued growth in U.S. BBD volumes. The EPA's latest RFS standard increases BBD volume requirements from 3.35 billion gallons in 2025 to 5.33 billion gallons in 2026, a 59% increase. The requirement rises by another 7.9% in 2027 to 5.75 billion gallons. These higher requirements have increased D4 RIN prices to recent historical highs.

In part due to this, D4 RIN prices have exceeded the bean oil-heating oil (BOHO) spread by much more than recent history as shown in **Figure 1** below. This metric correlates strongly with biorefinery profitability and encourages high biorefinery utilization as production margins have drastically improved relative to previous years.

Figure 1: EIA BOHO spread compared with biomass-based diesel (D4) RIN value²⁶



The increased production of biomass-based diesel is likely to result in higher CI. The EPA's latest RFS, combined with Section 45Z tax credits, has significantly reduced the volumes of imported low CI feedstocks into the West Coast fuel market. The removal of carbon intensity penalties from Section 45Z tax credits incentivize increases in production from domestic soybean and

²⁶ Higher blending targets drive RIN prices close to record highs. U.S. EIA.

canola oil while disqualifying overseas UCO and animal fat transactions from tax credit eligibility. This is evident in a recent monthly biofuel feedstock report for biofuels production, which details a higher proportion of soybean oil, corn oil and canola oil into biofuels production compared to FOGs and UCO.²⁷

Additionally, California's 20 percent cap on credit generation from virgin crop-oil feedstock takes effect on January 1, 2028. Although the cap is not expected to significantly impact New Mexico during the compliance period, producers may begin repositioning supply chains toward California in anticipation of the change. New Mexico provides a new and an alternative market where eligible fuels that may have previously served California can generate CTFP credits.

4. New Mexico CTFP 2026/2027 Volume Forecast

Overview and Summary of Volumes Forecast

To calculate the number of credits and deficits generated during the compliance period, and thus number of credits necessary for compliance and the final bank balances for the forecast period, BRG staff has produced a fuel volume forecast for the relevant fuels covered by CTFP. 2026 forecasts cover the final three quarters of the year since the compliance period commences in the second quarter.

Table 3 provides a summary of the fossil and alternative fuel volumes forecasts and blend rates and **Table 4** provides a summary of renewable fuel volume availability to meet demand during the compliance period. Each of these forecasts is discussed in greater detail below.

Table 3: Volumes Forecast Summary

Fuel Type	Unit	2026	2027
Clear Gasoline	million gallons	607	804
Ethanol	million gallons	74	104
Ethanol Blend Rate	%	10.9%	11.4%
Total Gasoline	million gallons	681	908
Clear Diesel	million gallons	487	603
Biodiesel	million gallons	14.8	28.5
Biodiesel Blend Rate	%	2.8%	3.8%
Renewable Diesel	million gallons	29.2	110.9
Renewable Diesel Blend Rate	%	5.5%	14.9%

²⁷ Feedstocks consumed for production of biofuels. *EIA Petroleum & Other Liquids*.

Fuel Type	Unit	2026	2027
Total Diesel	million gallons	531	742
Electricity (LDV/MDV)	GWh	87	139
Total Electricity	GWh	87	139
Fossil Natural Gas	million GGE ²⁸	1.14	1.82
Renewable Natural Gas	million GGE	0.95	1.71
Renewable Natural Gas Blend Rate	%	45.4%	48.5%
Total Natural Gas	million GGE	2.08	3.53
Propane/LPG	million Gallons	0.09	0.11

Table 4: Renewable Fuel Volume Availability to Demand

Fuel Type	Unit	2026 Supply	2027 Demand
Ethanol	million Gallons	928	104
Biodiesel	million Gallons	225	29
<i>Biorefinery availability</i>	million Gallons	225	
<i>Feedstock availability</i>	million Gallons	306	
Renewable Diesel	million Gallons	255	111
<i>Biorefinery availability</i>	million Gallons	255	
<i>Feedstock availability</i>	million Gallons	797	
Renewable Natural Gas	million GGE	492	2

Individual Fuels Volumes Forecasts

Clear Gasoline and Ethanol

Using data provided by NMDOT, BRG forecasts that 681 million gallons of blended gasoline (including ethanol) consumption will be consumed during the period of 2026 where the CTFP is in effect (April through December). Using the same data, BRG forecasts the New Mexico's demand for blended gasoline to increase to 908 million gallons in the full calendar year 2027.

BRG staff estimates drivers in New Mexico will consume 74 million gallons of ethanol in 2026, at a 10.9% ethanol blend rate. Ethanol consumption is forecasted to rise to 104 million gallons in 2027 as blend rates increase, mirroring the growth observed in Washington's recent clean fuel standard data.

²⁸ GGE = Gasoline Gallon Equivalent

The forecast assumes ethanol blend rates will exceed New Mexico's historical levels. This reflects EPA's recent actions allowing summer sales of E15, gasoline containing 15% ethanol, nationwide, along with evidence of rising blend rates in other states with programs similar to New Mexico's CTFP.

New Mexico-registered ethanol providers that overlap with Oregon and Washington can supply up to 928 million gallons of ethanol, well above the forecasted demand of 104 million gallons in 2027.

Clear Diesel and Biomass-Based Diesel

Using NMDOT data, BRG forecasts 531 million gallons of total diesel consumption for the period from April through December 2026 when the CTFP is in effect. BRG staff forecast New Mexico's demand for diesel will increase to 742 million gallons in the full calendar year 2027.

BRG staff estimates New Mexico's biodiesel consumption will be 14.8 million gallons during the 2026 compliance year, with a blend rate of 2.8%. The blend rate is projected to rise to 3.8% in 2027, following the achievable growth rate observed in Washington since its CFS program began. This results in forecasted biodiesel consumption of 28 million gallons in 2027.

BRG staff forecast New Mexico could obtain up to 225 million gallons of biodiesel available from biorefineries registered in New Mexico, which overlap with Oregon and Washington and therefore have reported capacity in those states. BRG forecasts up to 306 million gallons of biodiesel from are available for New Mexico based on an analysis of feedstock availability for fuels not consumed in other states. BRG's forecasted biodiesel consumption is lower than either constraint.

BRG staff forecasts 29.2 million gallons of renewable consumption in 2026 with a renewable diesel blend rate of 5.5%. The blend rate is projected to grow at the same rate observed during the first seven quarters of Washington's CFS program, which began in 2023. As a result, renewable diesel consumption in New Mexico is forecasted to increase to 110.9 million gallons in 2027.

BRG staff forecast New Mexico could obtain up to 255 million gallons of renewable diesel each year from refineries which registered in New Mexico and both Oregon Washington, which report capacity in those states. BRG forecasts New Mexico could also obtain up to 797 million gallons of renewable diesel based on feedstock availability nationwide not used in other

markets.²⁹ New Mexico's forecast renewable diesel consumption is within both constraints in 2027.

Electricity

New Mexico's electricity demand for transportation is forecasted to rise from 87 GWh in compliance year 2026 to 139 GWh in 2027, driven by growth in the number of LDVs and MDVs.

Based on data provided by NMDOT, New Mexico's EV fleet, including BEV and PHEVs, is projected to reach 26,610 vehicles in 2026 and 32,073 in 2027. These figures represent increases of 33% and 60%, respectively, from the 20,017 vehicles reported in 2025.

Natural Gas and Natural Gas Alternatives

Data provided by NMDOT reported natural gas consumption of 3.01 million GGE in 2025.

BRG staff estimate RNG consumption to be 0.95 million GGE in 2026, representing a 45.8% RNG blend rate. New Mexico's RNG share is projected to grow at the same rate observed during the first seven quarters of Washington's CFS program. RNG consumption is forecasted to reach 1.71 million GGE in 2027.

Fossil natural gas consumption is calculated as total natural gas consumption less RNG consumption. Fossil natural gas consumption is projected to increase be 1.14 million GGE in compliance year 2026 and 1.82 million GGE in 2027.

Based on D3 RINs generated in 2025, BRG staff estimate that 503.3 million GGE of RNG could be available to New Mexico through book-and-claim accounting. This estimate accounts for demand in California, Oregon, and Washington and indicates sufficient remaining supply for New Mexico. Volumes not used in another state program are considered available due to New Mexico's current book-and-claim requirements for RNG.

Liquified Petroleum Gas (Propane)

Based on data provided by NMDOT, LPG/propane demand is estimated at 0.09 million gallons during the 2026 compliance period and 0.11 million gallons in 2027.

²⁹ This supply number only considers registered parties as potential biorefinery supplies.

BRG staff expects there will be more than enough LPG to meet New Mexico's forecasted demand in 2027, given longstanding historical availability in the state and relatively limited transportation demand.

Book & Claim RECs

BRG staff has conservatively assumed that currently no utilities use book-and-claim RECs to reduce the carbon intensity of their electricity, as there is not enough data to determine the utility appetite for this compliance option.

Infrastructure Credits

BRG staff assumes no infrastructure credits in the forecast. In Washington, infrastructure credits were first awarded in the fourth quarter of 2024, the seventh quarter after the program began, highlighting the potential for delays.

The assumptions reflects the administrative complexity of awarding these credits and uncertainty about how quickly credits will be awarded in eligible New Mexico ZIP codes. This assumption may be revisited in future forecasts as more information becomes available.

Deficit and Credit Generation and Banked Credits

Overview

BRG staff forecast credits and deficits from forecasted fuel consumption by analyzing projected consumption for each fuel and comparing its CI values to the standard CI target as defined in 20.2.92.701 NMAC.

Carbon Intensity Assumption

This analysis uses a combination of default CI values stated in Table 3 of 20.2.92.701 NMAC³⁰ and forecasted values based on 2025 results in Washington. For electricity, the analysis uses utility-specific data in New Mexico from NMED to calculate a volume weighted CI based on the number of electric vehicles registered in each utility.

³⁰ New Mexico Environmental Improvement Board, "Clean Transportation Fuel Program," EIB 25-23 (SOR), Exhibit A.

Feedstock availability plays an important role in determining the CI of biofuels. In New Mexico and states with similar clean fuel policies, demand for the lowest-CI feedstocks exceeds the amount that can be supplied economically. These feedstocks include cellulosic biomass used for ethanol and FOGs used for renewable diesel. As demand for low-CI biofuels grows, producers must use higher-CI feedstocks. As a result, the average CI of these biofuels tends to increase.

Clean fuel programs may partly offset this trend by creating financial incentives to import low-CI biofuels. Revenue from these programs can be combined with federal incentives, including RIN credits under EPA's RFS and 45Z Clean Fuel Production Tax Credit. The EPA has mandated higher RVOs for BBD and advanced biofuels. These requirements increase D4 RIN prices and blending rates. Additionally, requirements in the federal RFS and the Section 45Z Clean Fuel Production Tax Credit disqualify or limit imported lower CI UCOs and FOGs from tax credit and RIN eligibility.³¹

After considering these competing trends, BRG staff forecast that the CI of biofuels will increase substantially during the compliance period.

These assumptions are critical to the credit and deficit forecast because they determine the total emissions reduction from using each type of fuel. The CI values, targets, and standards for gasoline and diesel used in this fore in **Table 5** and **Table 6 Error! Reference source not found.**below:

Table 5: Carbon Intensities used in scenario analysis, by fuel (gCO₂e/MJ)³²

Fuel Type	CI Assumption 2026	CI Assumption 2027
Unit	(gCO ₂ e/MJ)	(gCO ₂ e/MJ)
Gasoline	96.7	96.7
Ethanol	74.29	67.31
Diesel	95.0	95.0
Biodiesel	54.78	54.78
Renewable Diesel	62.71	62.71
Natural Gas	74.3	74.3
Renewable Natural Gas	63.63	63.63
Propane	78.4	78.4
Electricity	62.17	62.17

³¹ Limitations exist for imported feedstocks not from the United States, Canada, or Mexico.

³² EIB 25-23 (SOR), Exhibit A, Table 5. *New Mexico Environmental Improvement Board, "Clean Transportation Fuel Program."*

Table 6: Gasoline and Diesel CI standards used in scenario analysis³³

CI Standard	2026	2027
Unit	(gCO ₂ e/MJ)	(gCO ₂ e/MJ)
Gasoline/ Gasoline Substitute	93.89	92.45
Diesel/ Diesel Substitute	93.81	92.38

For ethanol, realized CI calculated in Washington during its program start-up is used because it takes time to develop supply chain for lower-CI ethanol after program start, and because its indirect land-use change (ILUC) values for ethanol are comparable New Mexico's.

For electric vehicles, credit generation is calculated using vehicle volume weighted carbon intensity specific to each utility and Washington's volume weighted EER. Realized CIs from 2026 are assumed to remain the same in 2027.

The EER serves two purposes; it reduces the effective CI of electricity and adjusts the energy consumption of EVs to be comparable to the gasoline or diesel they displace.

The energy densities relied upon in the calculations of energy consumed per fuel are shown in **Table 7** below:

Table 7: Energy Densities by Fuel³⁴

Fuel Type	Unit	Energy Density
Clear Gasoline	MJ/Gallon	122.48
Ethanol	MJ/Gallon	81.51
Clear Diesel	MJ/Gallon	134.48
Biodiesel	MJ/Gallon	126.13
Renewable Diesel	MJ/Gallon	129.65
Electricity	MJ/kWh	3.6
Natural Gas	MJ/Therm	105.5
Renewable Natural Gas	MJ/Therm	105.5
LPG	MJ/Gallon	89.63

³³ EIB 25-23 (SOR), Exhibit A, Table 1 and Table 2. *New Mexico Environmental Improvement Board, "Clean Transportation Fuel Program."*

³⁴ EIB 25-23 (SOR), Exhibit A, Table 7. *New Mexico Environmental Improvement Board, "Clean Transportation Fuel Program."*

Credits, Deficits, and Credit Banking

BRG staff calculate the total banked credits and deficits carried over at the beginning of the compliance period and estimate the number of credits and deficits generated by each fuel type. Credits are typically generated by using low-carbon fossil fuel alternatives such as ethanol, biodiesel, renewable diesel, and electricity. All credit and deficits are calculated on an accrual basis for this study. The forecast shows a net credit generation of 125,760 in 2026, followed by an increase to 304,036 in 2027, ending with a total balance of 429,797 by the end of the compliance period.

A summary of the net annual bank balance for 2025 and 2026 are found in **Table 8** and **Table 9** below.

Table 8: Summary of Current and Projected Net Credit/Deficit Generation

Year	Credit Generation	Deficit Generation	Net Credit Generation
2026	412,552	(286,792)	125,760
2027	935,084	(631,048)	304,036

Table 9: Credit Bank Balance

Year	Bank Beginning Balance	Bank Ending Balance
2026	0	125,760
2027	125,760	429,797

A summary of the credits and deficits generation by fuel type is given in **Table 10** below:

Table 10: Summary of Credits and Deficits Forecast

Year	2026	2027
Clear Gasoline	(208,857)	(418,700)
Ethanol	118,987	212,611
Clear Diesel	(77,935)	(212,348)
Biodiesel	73,057	135,281
Renewable Diesel	117,573	426,478
Electricity	96,590	150,514
Natural Gas	2,720	4,026
RNG	3,497	6,037
LPG/Propane	128	136
Total	125,760	304,036

Bank Ending Balance	125,760	429,797
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Forecast Risks

This section summarizes major factors which could cause projected volumes and credits to differ from those presented. The most significant risks to the forecasts are:

Newly adopted program. New Mexico’s CTFP began on April 1, 2026. This is the first Transportation Fuel Supply Forecast under the program. This forecast is therefore prepared without knowledge of the pace of adoption of credit generation and deficit reduction strategies, the speed with which investment in compliance options has been adopted, and the behavior of market participants with respect to credit trading, credit banking, and other market activities. This forecast has been prepared using the best available data for New Mexico and with lessons learned from other states as they have adopted comparable policies. Actual behavior of market participants could cause credit generation and fuel use to differ meaningfully from what is shown in this forecast.

Biofuel blend rates and carbon intensities. Biofuel blend rates and CIs are subject to significant uncertainty in both directions. This stems from the ease of substituting biofuels with fossil fuels in the existing vehicle fleet, as well as the wide range of CIs across biofuels depending on production methods and feedstocks. Key drivers of this uncertainty include competition for low-carbon biofuels from other states, agricultural product prices and availability, changes to the federal RFS standard and federal tax credit eligibility, and petroleum prices.

Electric vehicle adoption. New Mexico has seen rapid growth of EV use in recent years. The forecast assumes that growth will continue, supported by the CTFP and complementary policies such as Advanced Clean Cars II (ACCII) and Advanced Clean Trucks (ACT), which has been adopted by New Mexico. However, future EV adoption is uncertain. If adoption is higher or lower than expected, it affect electricity use by EVs and the number of CTFP credits generated.

Federal challenges to Section 177 of the Clean Air Act could also affect New Mexico’s Zero Emission Vehicle (ZEV) Standards and future EV adoption. Because vehicles remain on the road for many years, any changes would take time to affect the overall vehicle fleet. However, they could still influence EV adoption through the end of 2027.

Tightening standards and increased competition in neighboring states. California has adopted updated standards with a similar effect, and Washington and Oregon’s standards are increasingly becoming more stringent. Together, these regulatory developments are likely to increase demand for drop-in biofuels, creating competition. The risk is offset for higher CI

fueled by the substantial growth in crop-based biodiesel and renewable diesel production due to higher RVOs for biomass-based diesel.

Use of conservative assumptions

Due to the lack of historical data for the program, BRG staff have made a number of conservative assumptions about the use of less certain or mature compliance strategies and the use of compliance strategies that may take time to materialize in New Mexico for the 2027 compliance year. These assumptions do not necessarily reflect long-term expectations but do reflect a conservative approach as to the pace of adoption. These include:

- the assumption that New Mexico does not attract biodiesel or renewable diesel from lower-CI feedstocks than soybean and canola oil,
- the assumption that New Mexico is not able to absorb faster BBD blend rate growth than Washington experienced during its program startup, despite historic increases in nationwide supply,
- the assumption that electricity providers do not retire incremental renewable energy certificates to reduce the carbon intensity of electricity,
- the assumption that no credits are received from fuel supply equipment,
- the assumption that no alternative jet fuel or sustainable aviation fuel suppliers opt-in to the state,
- the assumption that book-and-claim RNG does not satisfy all of New Mexico's on-road natural gas demand, and
- the assumption that all RNG suppliers use landfill gas rather than RNG source with lower or negative carbon intensities.

Each of these assumptions could increase the volumetric demand for low carbon fuels and/or the supply of credits in the market.

5. Conclusion

This analysis shows that New Mexico's fuel volume demand can be met by the available supply of low carbon fuels in New Mexico. Furthermore, through the generation of credits from alternative fuels and infrastructure investments, this report forecasts a bank balance to be built

up in 2026, and a larger bank balance to continue to be built up in 2027, each of which can be drawn upon in future compliance periods when CI targets tighten. This analysis demonstrates that sufficient credits will be available to comply with clean fuels program requirements.