Southwest Airlines Co.
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Environmental Improvement Board
Pamela Jones - Board Administrator
New Mexico Environment Department, Office of Public Facilitation
1190 St. Francis Drive Santa Fe, NM 87505
Via email: pamela.jones@env.nm.gov

Dear Madame Chair and Members of the Board:

Southwest appreciates the opportunity to provide comments on the Clean Transportation Fuel Standard (CTFS) and its implications for Sustainable Aviation Fuel adoption in New Mexico.

As the largest carrier in New Mexico, Southwest operates an average of over 30 flights per day out of the state, consuming more than 10 million gallons of jet fuel for flights departing from New Mexico in 2024. As a key contributor to the state's aviation sector, economy, and communities, we are deeply committed to advancing sustainability and addressing the environmental challenges facing our industry.

SAF is central to Southwest's climate strategy. Our goals include replacing 10% of conventional jet fuel with SAF by 2030, reducing our emissions intensity by 50% by 2035, and achieving net-zero emissions by 2050. Given that jet fuel accounts for over 99% of our Scope 1 and 2 emissions, SAF represents the only viable near- and mid-term solution to decarbonize aviation and our operations.

However, SAF remains a nascent market, hindered by high production costs, infrastructure limitations, and investment risks. We respectfully submit the following comments on a few critical items under consideration in this rulemaking that could significantly impact SAF deployment in New Mexico:

1. **Baseline Carbon Intensity (CI)**: The lower baseline CI assigned to fossil jet fuel compared to fossil diesel results in significantly reduced credit values for SAF, creating a structural disincentive for its use in New Mexico. As currently proposed, the CTFP would be inconsistent with other clean fuel markets, where renewable diesel is not disproportionately favored. SAF already faces several market disadvantages relative to renewable diesel, and further skewing credit values would only deepen that imbalance. New Mexico should follow the lead of other clean fuel program states and align sustainable aviation fuel crediting under the CTFP with renewable diesel crediting. Oregon, California, and Washington have all adopted a unified CI baseline for fossil jet and diesel fuels to ensure a level playing field for low-carbon fuel alternatives, and we highly encourage the same under this program.

2. **Stackability of Credits**: We encourage the CTFP regulations to clearly authorize stackability of CTFP credits with federal incentives such as the 45Z Clean Fuel Production Credit, even when book-and-claim accounting is used. While the intent of the program is to avoid double-counting under emissions-capping programs, the current language is overly broad and risks blocking stackable credits from programs like 45Z, which calculate incentives based on GHG performance but are not emissions cap or reduction mandates. Allowing stackability, consistent with all other

clean fuel programs, is critical to closing the cost gap, accelerating SAF deployment within the state, and ensuring that the CTFP complements rather than undermines federal tax incentives and voluntary corporate climate initiatives.

We believe that addressing these issues—fossil jet fuel baseline CI and credit stackability—will create a more supportive framework for SAF deployment and help New Mexico meet its climate goals. Southwest looks forward to continued collaboration with stakeholders and regulators to advance sustainable aviation in New Mexico.

Sincerely,
Lauren Tremblay, Senior Sustainability Strategy Consultant

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