

Neste (Oscar Garcia)

Neste is pleased to submit the attached comment letter.



August 29, 2025

VIA ELECTRONIC FILING

Pamela Jones
Environmental Improvement Board (EIB) Administrator
New Mexico Environment Department (NMED)
PO Box 5469
Santa Fe, New Mexico 87502

Re: Neste Comments on Proposed Clean Transportation Fuel Program (CTFP) Rule (EIB 25-23)

Dear Ms. Jones:

Neste appreciates the opportunity to provide these comments on the proposed Clean Transportation Fuel Program (CTFP) rule materials filed by NMED on May 16, 2025 and that is now being evaluated by the EIB. Neste is the world's largest producer of renewable diesel (RD) and sustainable aviation fuel (SAF), over 90% of which are produced from waste and residues. During the past ten years, Neste's transformation journey has taken it from a local oil refiner to a global leader in renewable and circular solutions. We are in the business of combating climate change by producing effective climate solutions, and our vision is to create a healthier planet for our children. Neste strongly supports clean fuel standards.

The comments below are regarding the materials provided by NMED in the proposed CTFP rule filed on May 16, 2025. We look forward to continuing to work with the EIB and NMED as a whole on this rulemaking.

Gasoline and Fossil Diesel Baseline Carbon Intensity (CI) Inconsistent in Tables 1, 2 and 4:

Neste noticed that NMED updated the baseline CI for fossil gasoline and diesel as part of the proposed rule filed on May 16, 2025, however Table 4 was not updated correctly to match Tables 1 and 2. Table 1 currently has a baseline of 95.01 gCO₂e/MJ for fossil gasoline, while Table 2 currently has a baseline 94.42 gCO₂e/MJ for fossil diesel. Neste believes that Table 4 needs to be updated as shown below to properly match updates in Tables 1 and 2, and to avoid errors when implementing this rule.

Table 4 - New Mexico Statewide Carbon Intensity Lookup Table

Transportation Fuel	Pathway Identification Code	Fuel Pathway Description	Carbon Intensity (gCO ₂ e/MJ) Total Lifecycle Emissions
Gasoline	NMGAS001	Clear gasoline - based on a weighted average of gasoline supplied to New Mexico	96.9 <u>95.01</u>
Diesel	NMULSD001	Clear diesel, based on a weighted average of ultra-low sulfur diesel supplied to New Mexico	95.3 <u>94.42</u>

Fossil Jet Fuel Baseline CI Inconsistent in Table 3:

As noted above, NMED updated the baseline CI for gasoline and fossil diesel, however no baseline adjustments occurred for fossil jet fuel. It is Neste's experience that any adjustments in baseline are a result of either better data or methodologies, and the adjustments almost always apply to all the fossil fuel baseline CIs. The gasoline and fossil diesel baselines increased by 3-5 gCO₂e/MJ in this May 16, 2025 proposed rule, and Neste would have expected a similar increase in the fossil jet fuel baseline. We feel that this may have been an oversight and Neste recommends that NMED address this inconsistency with the fossil jet fuel CI.

Technology neutrality amongst fuels is a core tenet of the CTFP; therefore, Neste was surprised to see a significant difference in the baseline CI between fossil diesel and fossil jet fuel. Table 2 lists the baseline CI for fossil diesel at 94.43 gCO₂e/MJ, while Table 3 lists a baseline CI of 81.25 gCO₂e/MJ for fossil jet fuel. This is a substantial difference of 13.18 gCO₂e/MJ. Considering that fossil jet fuel is exempt and not a deficit generator in the CTFP, Neste believes that the baseline of fossil jet and fossil diesel should be identical as in all other CFS programs. Oregon, California and Washington's clean fuel programs all made the CI for fossil jet the same as that for fossil diesel to ensure technology neutrality between diesel and jet fuel alternatives. As currently proposed, the CFPT will be inconsistent with other clean fuel markets and renewable diesel will be heavily favored over SAF in New Mexico. This seems to be an oversight that hopefully New Mexico is able to address.

The CTFP Would Benefit from an Automatic Acceleration Mechanism (AAM):

In the current environment, where most state low carbon fuel program credit prices are at historic lows due to massive credit banks, it is important that adjustments to the carbon intensity (CI) reduction targets are made through a predictable process and send credible, long-term signals to the market. Neste therefore recommends that New Mexico incorporate an AAM into the CTFP that will move up the CI standard by one year (and subsequent years) when triggered, resulting in a predictable impact on the longer-term fuel market. California has recently approved such a mechanism to proactively address overperformance. If New Mexico approved such a mechanism, it would complement the deferral provisions proposed by NMED in 20.2.92.601 when underperformance occurs.

Regenerative Agriculture Can Drive Further Decarbonization:

Neste also believes that New Mexico can further drive innovation by recognizing the emissions reductions from regenerative agriculture (regenerative ag). These emissions reductions are already being certified and accounted for through several sustainability certification schemes such as ISCC. In fact, the IRS guidance accompanying the 40B SAF-GREET model allows some crop-based feedstocks to reduce their CI score if certain regenerative ag practices were employed in their production. CI reductions for no-till, cover crop and enhanced efficiency fertilizer will be accounted for in CI calculations. Neste believes that recognizing regenerative ag strikes the right balance between ensuring feedstocks are sourced sustainably and at the same time leverages available data to provide more value to those producers that are working towards decarbonizing their energy production.

Additional Opt-in Fuels to Consider:

Neste suggests that New Mexico consider the following additional opt-in sources of credit generation that are "drop-in" fuels that do not require significant infrastructure or investments to implement:

- Rail Opt-in: The rail sector has indicated to Neste an interest in using lower carbon fuels if incentivized under programs like the CTFP. As a direct drop-in replacement for fossil diesel,

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renewable diesel could play an important role in decarbonizing the rail sector in New Mexico if allowed as an opt-in fuel and incentivized by the CTFP. Should the rail industry use renewable diesel, nearby communities would see added co-benefits of lower criteria and toxic air pollutant emissions.

- Stationary Generators Opt-in: The past several years have seen significant growth in the installation of stationary backup generators across the US. Operators of stationary generators have expressed to Neste a strong interest in creating incentives to replace fossil diesel with renewable diesel. New Mexico should add stationary generators as an opt-in use of renewable diesel to help decarbonize this growing source of reliable power. Similar to rail applications, nearby communities would see reduced air emissions if renewable diesel was used in these generators.

We appreciate your consideration and are happy to answer questions or provide additional information.

A handwritten signature in black ink, appearing to read "Oscar Garcia", with a stylized flourish at the end.

Oscar Garcia
Senior Regulatory Affairs Manager
Neste US, Inc.