3Degrees (Theresa Keith)

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Sept 19, 2025

Phoebe Suina
Board Chair
Environmental Improvement Board
1190 So. St. Francis Drive
Santa Fe, NM 87505

Michelle Miano
Environmental Protection Division Director
New Mexico Environment Department
121 Tijeras Ave NE, Suite 1000
Albuquerque, NM 87102

Submitted online via nmed.commentinput.com

RE: 3Degrees Comments in Response to the Clean Transportation Fuel Program Proposed Rule

Dear Chair Suina, Environmental Improvement Board Members, and New Mexico Environment Department (NMED) Staff,

Thank you for the opportunity to provide comments in response to the Clean Transportation Fuel Program (CTFP) Proposed New Rule. 3Degrees Group Inc. ("3Degrees") is a global climate and clean energy solutions provider and is a strong supporter of the CTFP. We participate in existing clean fuel programs across North America as a designated reporting entity on behalf of a variety of opt-in parties with light-duty electric vehicle (EV) chargers, electric forklifts, hydrogen forklifts, and heavy-duty EV fleets. We are also an active fuel pathway developer.

We offer the following comments in response to the proposed regulation published on May 16, 2025.

Geographic restrictions in capacity crediting should be removed to better incentivize infrastructure development.

3Degrees recognizes the important role that capacity crediting has played in developing fueling infrastructure in existing clean fuel standard jurisdictions and supports NMED's inclusion of capacity crediting in the program. The proposed fuel supply equipment credits calculation generously incentivizes the buildout of infrastructure and will likely attract significant investment interest in New Mexico's program as soon as it is operational. This investment incentive, however, will be greatly reduced by the overly restrictive provision allowing only one FSE for each combination of fuel type and vehicle type per zip code to receive credits. We recommend NMED remove this limitation. We recognize the need for the CTFP to benefit communities across New Mexico, and suggest this be accomplished by further incentives such as the enhanced cumulative credits provision, rather than through a restriction that could overcomplicate the program and dissuade participation and investment.

Aggregators increase program participation and should be allowed to register and transact credits on behalf of a credit generating entity.

Allowing eligible credit generators to designate an aggregator enables this entity to benefit from the program even if they do not have the resources to manage program participation themselves or might not otherwise be able to participate directly. Part of the value aggregators bring their customers is to save the credit generator the effort of being a registered party themselves and from specializing in the transacting of credits. NMED should amend the opt-in requirements for credit aggregators to remove the requirement that they must be authorized by an existing registered party, and allow eligible credit generators or regulated parties to authorize an aggregator without registering themselves. Additionally, aggregators should be allowed to continuously transact credits on behalf of the eligible credit generator once they have been approved to do so. Requiring the authorization of the credit generator for every transaction adds unnecessary burden to potential credit generators, particularly smaller entities for whom aggregators make participation possible.

3Degrees would like to express strong support for the proposed third-party verification requirements, with some suggestions for operational considerations.

The third-party verification requirements are very reasonable and include numerous practical operational considerations, such as the option of less-intensive verification, the sampling plan for site visits, the waiver of site visits for electronic records, and the ability to provide relevant verification reports from another jurisdiction. We request that the option for less-intensive verification be extended to electricity-based transfer types, which would align with the recently updated and broadly supported rule in Washington.

In order to smoothly operationalize the verification requirements, we also recommend removing several stipulations from the Notice of Verification Services (NOVS). As stated in the regulation, the NOVS is intended to be approved by the department prior to the commencement of verification services. As written, the NOVS must include information regarding site visits in a verifier's sampling plan, as well as a full list of facilities and locations subject to verification. In order to comply with this requirement, the verifier must in fact commence the research associated with their services, despite not being approved to do so. We recommend that the requirements in 20.2.92.508 (F)(2)(f) through (h) be instead included in the Verification Plan, where they can be fully researched and more accurate. At this time, the department can also be notified of the details associated with the site visits.

3Degrees supports book-and-claim accounting for renewable electricity and suggests clarity on applicable tracking systems.

3Degrees strongly supports the inclusion of a book-and-claim accounting method to substantiate the use of off-site renewable electricity supplied as a transportation fuel. Matching off-site renewable electricity resources via a book-and-claim accounting methodology is an established and effective means of substantiating a lower carbon intensity (CI) score for electric vehicle charging and fuel generation. RECs are recognized across the country in a plethora of policies as the mechanism used to track, transact, and consume renewable electricity on the shared North American grid.

Due to New Mexico's unique location at the intersection of the WECC, MRO, and Texas RE we recommend that RECs be allowed to be retired in either WREGIS or a comparable recognized renewable energy tracking system. We recommend that language in section 20.2.92.206(E)(2) be broadened to reflect this and to align with section 20.2.92.504(F)(1)(a).

3Degrees supports the use of book-and-claim biomethane and recommends aligning with a 3-quarter timeline.

3Degrees supports the inclusion of a book-and-claim accounting method to demonstrate the environmental attributes of liquid and gaseous transportation fuels. However, we recommend adjusting the requirement that environmental attribute certificates have been generated in the current or prior quarter to the fuel being reported. This creates a 2-quarter window of use for RTCs rather than the 3-quarter window as is in use in California and Washington. Adjusting the window to 3-quarter would also align this section with the proposed 3-quarter vintage requirement for RECs.

3Degrees recommends simplifying the issuance of incremental credits by incorporating them in pathway reporting.

The opportunity to generate incremental credits incentivizes the generation and use of renewable electricity in New Mexico, and we support the inclusion of this provision in the regulation. The details of this provision, including the creation of an opt-in system with a twice yearly issuance, create unnecessary complexity for participants. Rather than a separate notification process to the department, the system would be streamlined if NMED followed the approach of other jurisdictions and included proof of REC retirement in quarterly and annual reporting. With this approach, incremental credits could be issued on the same schedule as base credits, and the department would avoid an extraneous notification process if entities may not be able to procure sufficient RECs for a certain quarter.

We also ask NMED to consider the following:

- Implementing a credit true-up on temporary pathways if the operational CI ends up being lower than the temporary CI as well as higher.
- Clarifying language in section 20.2.92.301 (H) and the definition of "credits" to specify whether a credit includes the environmental attributes associated with the production of the credit and whether the buyer or the seller retains the environmental attributes and associated claims when credits are transacted.
- Adding language similar to that used in California's LCFS program (17 CCR § 95488.8 (i)(1)(C)(5)) to clearly specify that Renewable Energy Certificates used in New Mexico's program may simultaneously be applied towards the accounting for incentives under the Infrastructure Investments and Jobs Act or the Inflation Reduction Act.
- Clarification regarding the registration and annual fees assessed to the aggregator and each entity when an aggregator acts on behalf of a single or multiple credit generating entities.

3Degrees appreciates this opportunity to provide feedback and we look forward to continuing to work with NMED on the success of the CTFS program. Please reach out with any questions or for further discussion.

Sincerely,

/s/ Theresa Keith

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