

New Mexico Comprehensive Energy Transition Strategy

Policy Memos - Investing in the Future: Revenue Diversification

About CETS

The Comprehensive Energy Transition Strategy (CETS) is an initiative of the Energy, Minerals and Natural Resources Department (EMNRD) to develop New Mexico's first integrated roadmap for delivering reliable, affordable, safe, and sustainable energy. Launched in May 2025, the strategy will provide analysis and recommendations to guide near-, mid-, and long-term policy. These Draft Policy Memos form the CETS baseline analysis, combining research on existing policies and regulations with stakeholder engagement across the state legislature, agencies, industry, and advocacy organizations. Phase 2 (October 2025 - June 2026) will feature more extensive engagement and finalized recommendations.

Where New Mexico Stands Today

This context provides the foundation for the Phase I policy memos that follow.



Strong fiscal foundation

oil and gas revenues (currently about 40% of the general fund) and permanent funds that can support economic diversification.



Exceptional energy resources

including solar, wind, geothermal, and existing infrastructure with potential for regional transmission.



Community and workforce expertise

engaged Tribal and local communities, supportive policies, national laboratories, and skilled energy workforce.



Exposure to more extreme weather

increasing heat, droughts, and storms challenge grid resilience, energy reliability, and communities.

Phase 1: Policy Memos

New Mexico has made substantial progress in advancing its energy transition. Building on strong existing efforts, the policy memos in this phase identify strategic opportunities, implementation gaps, and enforcement challenges across nine critical areas:

1

Innovation in Clean, Firm Power Generation

Examines clean, firm power options—geothermal, nuclear, carbon capture, hydrogen, hydropower, and long-duration storage—to ensure reliability, affordability, and durable community support, advancing the energy transition.

6

Policy Implementation

Examines how enhancing agency capacity, authority, tools, and resources can strengthen effective implementation of New Mexico's energy transition.

2

Grid Modernization

Investigates how to align New Mexico's grid with its energy transition and economic growth goals and outlines targeted reforms to accelerate deployment and improve resilience.

7

Clear Subsurface Authorities and Definitions

Explores how greater clarity for geologic hydrogen, geothermal, and methane can reduce uncertainty, attract investment, and advance New Mexico's energy transition.

3

Electricity Transmission Capacity Expansion

Examines the planning and permitting challenges that limit timely transmission deployment and outlines potential solutions to support transmission expansion to accelerate the clean energy transition.

8

Energy Systems Data and Emissions Reporting

Identifies data and governance gaps that limit New Mexico's ability to manage its energy transition effectively and outlines how to achieve close to real-time data visibility, evaluate policy impacts, and measure progress.

4

Decarbonization of the Building Sector

Focuses on targeted reforms to strengthen the Sustainable Buildings Tax Credit, making it more equitable, transparent, and effective in driving building decarbonization statewide.

9

Investing in the Future: Revenue Diversification

Considers diversifying New Mexico's revenue base as the energy transition progresses into growing clean energy industries, reducing fiscal volatility, and stabilizing revenues.

5

Workforce Readiness and Equitable Opportunity

Highlights opportunities to improve alignment between policy design and implementation, ensuring that New Mexico's clean energy investments deliver broad, equitable, and lasting economic benefits for its residents.

Memo #9: Investing in the future: Supporting revenue diversification by strategically directing and utilizing investments and growing clean energy industries

To: Secretary Melanie Kenderdine, New Mexico Energy, Minerals, and Natural Resources Department

From: The Comprehensive Energy Transition Strategy (CETS) team

Date: October 7, 2025

Subject: Investing in the future: Supporting revenue diversification by strategically directing and utilizing investments and growing clean energy industries

Bottom Line Up Front

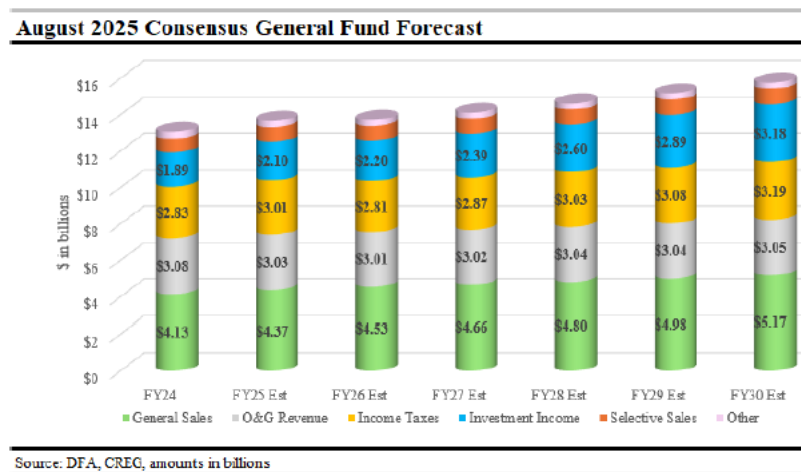
New Mexico's long-term fiscal resilience depends on broadening its revenue base. As the state advances its decarbonization and energy transition goals, there is a strong opportunity to create durable and balanced sources of public revenue by aligning revenue diversification with emerging industries, such as development of critical minerals and clean energy, including renewables like wind and solar and clean, firm resources such as geothermal, nuclear, carbon capture, hydrogen, hydropower, and long-duration storage. Oil and gas currently supply about 40% of the General Fund and dominate inflows to the Land Grant Permanent Fund (LGPF) and Severance Tax Permanent Fund (STPF), leaving the state vulnerable to price fluctuations and resource depletion. This memo identifies key challenges, including limited flexibility in permanent fund frameworks, underused state financing mechanisms, and missed opportunities to expand new energy revenue streams. It proposes targeted actions such as securing a higher state share of federal onshore oil and gas revenues to bolster fiscal stability; modernizing the LGPF and STPF to allow clean energy revenues and dedicated research and development allocations; expanding and adapting public finance tools to attract clean energy and manufacturing projects; and developing new leasing and permitting frameworks for carbon dioxide (CO₂) storage and critical minerals to create recurring trust revenues. Together, these measures would strengthen budget stability, advance decarbonization goals, and position New Mexico for a more sustainable energy transition.

Issue Statement

New Mexico has made significant strides in leveraging its natural resource wealth to strengthen public finances and invest in the future. Oil and gas revenues have supplied between 38% and 45% of the General Fund income in recent years (see Figure 1) and remain the primary contributors to the Land Grant Permanent Fund (LGPF) and Severance Tax Permanent Fund (STPF).^{1,2} The vast majority of inflows to the LGPF derive from oil and gas royalties, leases, and severance taxes. As of the end of 2024, the LGPF totals roughly

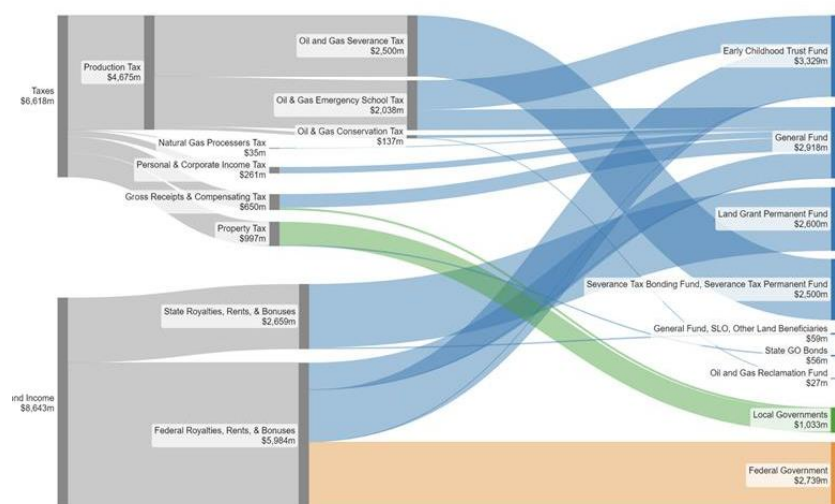
\$33 billion and the STPF about \$10.5 billion,³ underscoring the scale of savings generated by resource revenues.

Figure 1. August 2025 General Fund Income Forecast



Both funds are permanent trusts that are invested by the State Investment Council (SIC) in diversified portfolios; each year a fixed percentage of their multi-year average market value is distributed to beneficiaries (LGPF: 6.25% after the 2022 constitutional amendment; STPF: 4.7%). Investment earnings above those distributions remain in the corpus and are reinvested to grow the funds over time. Figure 2 shows how oil and gas revenues flowed through the state's fiscal system in FY 2023, allowing the state to build one of the largest sovereign wealth funds in the country, supporting stable distributions to K-12 education; early childhood programming, safety and security; and other essential services.⁴

Figure 2. FY2023 Oil and Gas Revenue Flow



Source: [New Mexico Legislative Finance Committee](#), June 2024

This fiscal structure has allowed the state to amass large surpluses in boom years, but it also exposes the budget to revenue, market, price, and production volatility. One interviewee in this analysis said, New Mexico is “always the 3rd or 4th worst state in the country for revenue volatility.” While the LGPF and STPF distributions provide a degree of insulation from short-term price shocks, their growth and stability remain contingent on continued high levels of extraction — a condition that is not guaranteed over the medium to long term due to market shifts and resource depletion rates. Put plainly, the state cannot decarbonize on schedule and remain fiscally resilient without simultaneously cutting emissions from the oil and gas sector and deliberately growing non-oil-and-gas revenue streams over time. This two-track approach aligns climate commitments with budget stability, avoiding the pitfall of pitting fiscal health against emissions progress.

The transition away from coal also poses specific fiscal risks, particularly for Tribal communities. The closure of coal plants will result in significant revenue losses and jobs for Tribes unless proactive economic transition plans are implemented. Evidence from the San Juan Generating Station shows that the host school district saw a 700% increase in homelessness amongst its students, highlighting the steep challenges of such transitions.⁵ While replacement energy projects may be taxable, they rarely generate sufficient revenues to fully offset the public income lost from retiring coal facilities. In some cases, replacement projects could receive partial or full tax exemptions through state or local incentive programs—such as Industrial Revenue Bonds (IRBs), which allow counties or municipalities to temporarily exempt renewable energy facilities from property taxes—further limiting revenue replacement and complicating fiscal recovery for affected communities.⁶

Government, industry, and advocacy groups agree that there is no direct one-to-one replacement for oil and gas income. Still, there is a pressing need to broaden the state’s portfolio of high-value, high-growth sectors that can generate stable revenue and quality jobs. As one interviewee put it, “we’d have to diversify the economic base away from oil and gas. These other industrial activities [e.g., manufacturing] can move the ball down the field faster than other small industries and businesses.” Data from the Economic Development Department (EDD)’s State Plan highlights that New Mexico is already highly specialized in several industries with significant growth potential, including sustainable and green energy.⁷ These sectors represent platforms on which the state can build diversified revenue streams in the longer term while expanding the array of options for meeting the state’s decarbonization goals.

While well-intentioned, New Mexico’s own policy and statutory frameworks, along with the federal laws to which it is subject, create barriers to economic diversification. Examples include the Enabling Act’s¹ restrictions on how state trust land revenues can be used and

¹ The Enabling Act of 1910 is the federal law that authorized New Mexico’s admission to the United States as a state and established conditions for statehood, including land grants and permanent protections for funds such as the Land Grant Permanent Fund to support public education and other institutions.

invested and the anti-donation clause's limit on research and development investments into private companies. These structural barriers contribute to perceptions among some investors and business leaders that New Mexico is an inhospitable environment for industrial growth. As one stakeholder put it: "Why would anybody move here... under this regulatory regime to try to build or start some sort of industrial process? You don't have power, you can't get a labor force, who knows if you can get water... there's no appetite in the state Legislature to really diversify the economy into an industrial position."

New Mexico is already taking important steps to position itself for long-term stability. As one finance sector interviewee noted, "We could have more of a role in economic development, helping entities in energy generation or efficiency programs... but we'd need the statutory authority and the partnerships in place to make it happen." Recent reforms to the STPF show that the state can successfully set aside today's windfalls to generate compounding returns tomorrow. As one stakeholder noted, it was a remarkable achievement for legislators to pass a bill two years ago to save a portion of record oil and gas revenues rather than spend them immediately — a decision that "takes 50% of volatility out of the revenue stream over five years" and gives the state the ability to plan on a multi-year horizon rather than budget year to year.

This change is already improving New Mexico's fiscal resilience, creating the foundation for proactive planning around a broad array of clean energy value chains, and other investments. Still, stakeholders cautioned that more work is needed to ensure surpluses and federal investments are strategically directed into durable, diversified revenue streams. As one interviewee put it: "With federal and state funds on the table, leadership must budget wisely, prioritize industrial diversification, and expand core infrastructure — especially power and fiber — before the opportunity window closes."

Equally important, the state's investment arm, the State Investment Council (SIC), has demonstrated national leadership by pairing prudent long-term savings with strategic, forward-looking investments. Through initiatives such as its venture capital program, New Mexico is channeling resources into leading companies and emerging sectors that can drive future growth and industry diversification, which incentivizes companies to do business in New Mexico. This model positions the state to capture opportunities in high-value industries and serves as an example of how sovereign wealth funds can actively support economic transformation.

Supporting Analysis

This analysis draws on three primary sources: (1) review of relevant statutes, regulations, and policy frameworks; (2) semi-structured interviews with stakeholders across state agencies, industry, and advocacy groups; and (3) survey responses from over 60 stakeholders representing government, industry, community organizations, and research institutions. The triangulation of these methods reveals significant opportunities to

strengthen New Mexico's fiscal resilience through strategic revenue diversification, modernized investment tools, and targeted support for emerging clean energy industries, including wind and solar, and clean, firm resources such as geothermal, nuclear, carbon capture, hydrogen, hydropower, and long-duration storage. These findings are described in further detail below.



Decades of oil-and-gas revenue have positioned New Mexico to invest in a broader industrial base, but have also left the state vulnerable to market and policy shifts.

New Mexico has built a strong fiscal foundation, with oil and gas revenues contributing around 40% of the General Fund and supporting the state's permanent funds. However, state forecasters project New Mexico oil output to slow sharply: after 30% growth in FY22 and 23.7% in FY23, growth eased to 9.2% in FY25 and is forecast at 3.2% in FY26, with production plateauing by FY29 as Permian development matures and productivity gains wane. Natural gas production is expected to keep rising at a modest 3–4% annual pace through FY30 (about 11.5 bcf/day in FY26 and 11.9 bcf/day in FY27), with prices mostly below \$4 per mcf, reinforcing the need to use today's receipts to accelerate diversification beyond oil and gas.⁸ While the state's largest and most lucrative permanent funds – the Land Grant Permanent Fund (LGPF) and Severance Tax Permanent Funds (STPF) – provide some insulation against volatility, they remain structurally reliant on fossil extraction and would need reform, or a new mechanism, to build and compound clean-energy revenues over time..⁹

Recent revenue trends underscore both the scale of the state's dependence on extraction and the opportunities for diversification. While the LGPF has increasingly grown through investment returns — earning more from dividends and interest in recent years than from new oil and gas contributions — its base inflows remain dominated by fossil fuel revenues, making it highly volatile because those revenues are tied to fluctuating market prices. The State Land Office (SLO) reported that July 2025 oil and gas lease sales generated \$56.4 million, breaking the previous record of \$43 million set in 2018. In 2024, the agency collected \$2.56 billion in total leasing revenue, of which only \$214 million came from non-oil and gas royalties.¹⁰ With non-oil and gas royalties representing less than 10% of leasing revenue on state lands, generating a similar revenue level from non-oil and gas sources would take order-of-magnitude growth.

New Mexico's reliance on oil and gas revenues renders its fiscal outlook vulnerable to geological limits. Indeed, the Permian Basin's core areas, vital to U.S. and state-level production, are maturing, with producers facing diminishing oil output and escalating water and gas recovery per barrel. Experts warn of a likely U.S. oil production peak around 2029, signaling that the state's extraction-based fiscal model may soon face structural decline.¹¹

While drilling on federal lands is not controlled by the state, production is projected to continue for the foreseeable future, giving New Mexico a chance to boost its revenues from these resources. Under current law, most states—including New Mexico—receive 50% of revenues generated from onshore federal oil and gas production. Alaska, however, was originally promised 90% of these revenues under its 1958 Statehood Act, a recognition of the state’s vast size, limited population, and lack of a broad tax base at the time. That promise was later rolled back by Congress: in the 1970s and 1980s, amendments to federal mineral laws rolled Alaska’s share back to the standard 50/50 split, the same formula applied to other western states.¹² Today, Alaska policymakers are urging Congress to restore the 90/10 division, citing the original Statehood Compact and the state’s ongoing dependence on resource revenue.

At the same time, the One Big Beautiful Bill Act (OBBBA) rolled the minimum onshore royalty back from 16.67% to 12.5%, shrinking the per-unit federal mineral revenue base—meaning New Mexico’s unchanged 50% share could be drawn from a smaller pot. Independent estimates indicate the OBBBA rollback could reduce New Mexico’s receipts by about \$1.7 billion over the next decade (and up to \$5.1 billion through 2050), a range the state’s Department of Finance & Administration has said it agrees with.¹³

Potential Solutions

New Mexico could defend its 50% share of onshore federal oil-and-gas revenues against further erosion by adopting a unified position opposing rollbacks like the OBBBA royalty reduction. This would involve passing a bipartisan legislative resolution, mobilizing its congressional delegation to block future cuts, and building a coalition with local governments, Tribes, and other affected western states. The state could also pursue federal legislation restoring the onshore royalty rate to 16.67%, arguing this honors longstanding revenue-sharing compacts and protects funding for schools, infrastructure, and public services. Broad coalition support—from counties, municipalities, and Tribal nations—would demonstrate statewide benefit and strengthen the case in Congress. Stable federal mineral revenues could enable a managed energy transition by funding economic diversification, workforce development, and permanent funds that reduce boom-bust volatility.



Constitutional frameworks governing New Mexico's permanent funds could be modernized to enhance flexibility and economic development capacity.

New Mexico’s LGPF, protected by the 1910 Enabling Act and the state constitution, ensures principal protection (the original fund balance cannot be spent, only investment earnings) and provides a stable foundation for future planning. However, these safeguards limit flexibility in terms of how funds can be allocated, grown, and diversified. By constitutional design, the corpus can only be funded by royalties, leases,

and taxes from oil, gas, and other mineral extraction on state trust lands, excluding newer sources of revenue such as clean energy technologies (e.g., geothermal, wind, solar, hydrogen) and their associated infrastructure (e.g., transmission lines, electric vehicle charging).

Reforms in the 1990s improved LGPF management, but the conservative distribution formula—5% of the fund’s five-year average market value, plus an additional 1.25% for early childhood education approved in 2022—can restrict the state’s ability to respond quickly to fiscal pressures or pursue long-term investments in areas such as infrastructure, R&D, and decarbonization. By constitutional design, the LGPF primarily supports specific beneficiaries, especially K-12 education. This reality underscores the importance of diversifying sources of revenue for the state’s long-term fiscal health.

Projections indicate that by 2039, State Investment Council (SIC) distributions will surpass oil and gas revenues to become the single largest source of General Fund revenue. SIC is funded primarily through state permanent funds fed by oil, gas, and mineral revenues, along with investment returns from those assets. As of mid-2025, the SIC manages about \$64 billion across multiple funds, including the Land Grant and Severance Tax Permanent Funds.¹⁴ This transition from extraction-based revenues to investment-based income could stabilize New Mexico's budget and reduce dependence on volatile commodity prices if paired with reforms to investment authority, allocation rules, and in-state economic development capacity. As one state official noted, without changes to staffing and pay scale, the SIC will struggle to manage and grow the funds already under its control to the point where it could serve as a meaningful long-term replacement for oil and gas revenues. Interviewees acknowledged that SIC has recently increased investment staffing and adjusted compensation closer to market but cautioned that headcount and pay flexibility still appear insufficient for the portfolio’s scale and projected growth.

Unlike the LGPF, the STPF offers a more flexible platform for innovation and diversification. Importantly, it is not constitutionally protected or tied to the federal Enabling Act, giving policymakers more room to adjust spending and investment strategies in response to fiscal conditions. While smaller than the LGPF, the STPF's flexible structure makes it well-suited for forward-looking investments—such as funding for state agencies and universities to support clean energy research and development, infrastructure, or workforce programs—that could accelerate New Mexico's transition away from reliance on extractive revenues.

Potential Solutions

The Legislature could modernize its permanent funds by amending statutes—and, if needed, the constitution—to let clean energy revenues from state trust lands flow into the Land Grant Permanent Fund (LGPF). Allowing clean energy revenues to flow into the LGPF would ensure that as the economy shifts, new industries contribute to a durable, intergenerational source of fiscal stability. To achieve this, the state could begin with an

executive order directing the State Investment Council to treat clean energy revenues as permanent fund deposits—meaning they would be invested in the same portfolio of stocks, bonds, and other assets as oil and gas royalties, rather than spent immediately. This executive action would create a policy foundation for subsequent legislative action. The governor and Legislature would then advance statutory changes to formally authorize renewable revenue deposits into the LGPF.

The Legislature could direct a defined portion of annual fossil revenues into a dedicated segment of the STPF focused on funding for state agencies and universities to support research and development, infrastructure, or workforce programs that advance commercialization and deployment for clean energy in the state. For example, lawmakers could authorize up to 10–11% of new severance tax inflows—the current ceiling for private equity commitments—to be deployed into applied R&D partnerships with universities, national laboratories, and regional consortia. This kind of structured “test bed” would allow the state to pilot targeted allocations into R&D, infrastructure, and workforce programs while maintaining the overall principle of corpus protection.



Underutilized state financing mechanisms and growing sectors offer pathways for expanding New Mexico's revenue portfolio.

The SIC plays a critical role in New Mexico's fiscal future by targeting funds in high-growth sectors, particularly through its Strategic Venture Capital (VC) program and other investments. These efforts, however, operate within the boundaries of New Mexico's constitutional anti-donation clause, which prohibits the state from giving or lending public funds directly to private enterprises. To comply, the SIC and NMFA structure commitments as equity or debt investments with a reasonable expectation of return. This approach helps safeguard public resources but also limits how flexibly the state can deploy capital for economic development.¹⁵

Within this framework, the SIC invests directly in early-stage New Mexico companies with the potential to build long-term, high-value industries, especially in energy transition technologies. One interviewee noted that they're “already seeing the potential for these early-stage investments to generate significant economic returns, particularly in clean energy and sustainable infrastructure sectors.” The SIC also commits capital to nationally connected venture funds, which in turn invest in innovative firms and can steer them toward projects in New Mexico. For example, one interviewee highlighted the \$1 billion, 150 MW geothermal project announced by XGS Geothermal and Meta as an example of how a \$15 million SIC commitment helped draw a major project to the state.¹⁶

Amendments to the anti-donation clause have created targeted exceptions—for infrastructure such as energy, water, and broadband—but these remain narrow and require enabling legislation. As policymakers consider how to position New Mexico for future

growth, questions remain about whether further amendment or statutory authority could provide more flexibility while still protecting the public interest.¹⁷

While financial tools exist that could support economic diversification, they have often been underutilized in the context of energy infrastructure. The New Mexico Finance Authority (NMFA), for example, has “practically unlimited capacity,” according to one interviewee, to finance qualifying public projects through the Public Project Revolving Fund, yet energy projects have rarely tapped this resource. NMFA officials pointed to recent legislative changes allowing rural electric co-ops to access the fund as a significant step forward but acknowledged that awareness and coordination with agencies remain limited.

Potential Solutions

The Legislature and governor could expand and adapt state financing tools to accelerate revenue diversification. The Local Economic Development Act (LEDA), the state’s primary “closing fund” for business recruitment and expansion, provides public support through local governments for projects that create jobs and generate long-term tax revenue. Assistance is reimbursement-based and typically limited to land, buildings, and infrastructure improvements, with projects required to meet job creation milestones and subject to clawback provisions if commitments are not met. Strengthening LEDA and creating new mechanisms targeted at clean energy infrastructure would allow the state to support value-added biomass facilities, renewable manufacturing supply chains, and critical mineral processing. By channeling incentives through LEDA into these kinds of industries, policymakers could help secure durable, revenue-generating projects that align with long-term demand and strengthen the foundation for fiscal diversification.

RETA, EDD and SLO could build on EDD’s State Plan by creating a coordinated roadmap that links transmission planning, land leasing, and sector recruitment. While EDD has already identified diversification priorities, this step would operationalize them across agencies, providing clearer signals to investors, reducing duplication, and accelerating the siting of anchor industries that generate recurring state revenues.¹⁸

Lawmakers could also modernize New Mexico’s financing framework by advancing a narrowly tailored constitutional amendment to the anti-donation clause, referred to voters by the Legislature. Such an amendment could explicitly authorize public investment in strategic industries tied to revenue diversification—such as clean energy manufacturing, biomass, and mineral processing—when structured with safeguards like equity stakes, performance requirements, and clawbacks. The Legislature would lead the referral process, while the Attorney General’s office and the SIC could help draft language that preserves protections against subsidies but enables commercially reasonable investments. Once approved, the SIC and the NMFA could use this expanded authority to co-invest with private capital, finance large-scale infrastructure, and channel funds into projects that generate durable state revenues.



New Mexico could diversify revenues by continuing to develop clean energy industries and the resources needed for the energy transition.

New Mexico now has the core legal framework in place to use state trust lands for geologic CO₂ storage as part of its clean-energy build-out. The Geologic Carbon Dioxide Storage Stewardship Act (HB 458) is chaptered law as of April 2025, and creates both a regulatory backbone and long-term stewardship fund for storage sites.¹⁹ The Oil Conservation Division (OCD) has proposed rules to secure Class VI primacy (August 2025), positioning the state to permit and oversee storage wells directly.²⁰ Separately, the State Land Office (SLO) has signaled it can lease state trust lands for CO₂ sequestration, but today there is no standardized, storage-specific leasing regime (e.g., defined royalties, bonding, model forms).²¹ Leasing state trust land for CO₂ storage would create a new, recurring trust-revenue stream (bonus bids, rentals, injection royalties) that does not exist absent a storage leasing framework.

The development of critical minerals could offer New Mexico a pathway to diversify its economy and reduce its reliance on oil and gas revenues. The state contains 15 federally designated critical minerals, including lithium, copper, rare earth elements, and magnesium. However, not all of these mineral resources are currently being mined; New Mexico simply has the potential for their extraction. Where minerals are produced, most are still exported in raw form due to the absence of local processing facilities that could create higher-value products and downstream manufacturing opportunities tied to the clean energy transition. Demand for minerals such as lithium, copper, and rare earth elements is surging as clean energy technologies scale, creating opportunities for the state to establish itself as a domestic supplier. These minerals form the foundation of the clean energy economy, powering batteries, wind turbines, electric vehicles, and the transmission lines needed to expand and modernize the grid, making their responsible development essential to both energy security and grid reliability. Recent federal commitments exemplify this potential: the U.S. Geological Survey awarded \$3.4 million for new mapping and geochemical surveys in the state, while researchers at New Mexico Tech are pioneering recovery methods that extract minerals from mine waste, coal, and tailings.²² Unlike past extractive booms, today's projects can be designed with stronger safeguards, third-party certification, and direct community benefit agreements that embed accountability and transparency from the outset.

If pursued responsibly, critical minerals mining could become a new anchor industry for New Mexico, supporting jobs, infrastructure investment, and state revenues while advancing national decarbonization goals. For example, New Mexico's Chino Mine produces significant copper — an essential energy transition material — yet concentrates are shipped to Arizona for smelting, underscoring the state's lack of local processing capacity. Similar gaps exist across critical minerals, where raw materials are exported rather than refined in-state. By investing in processing and recycling infrastructure, New

Mexico could capture more of the value chain, including recovery of lithium, rare earths, and copper from end-of-life solar panels and wind turbines — a market projected to reach 1 million tons of solar waste by 2030 and 1.5 million tons of wind waste by 2040.²³

Coupled with the cleanup of legacy sites and the deployment of modern engagement tools, the state has an opportunity to show that mining can be part of a forward-looking economic strategy, rather than a repeat of the past. By building public trust and aligning development with long-term energy transition needs, New Mexico can capture value from its mineral resources while ensuring that revenues and benefits are broadly shared.

New Mexico is well-positioned to support the full nuclear value chain, but significant permitting and community challenges remain. The state’s history with uranium mining, enrichment, and waste storage has created lasting environmental and community concerns, which highlights the need for rigorous safeguards, transparent engagement, and accountability in any future nuclear development. At the same time, several stakeholders emphasized that New Mexico’s existing expertise and infrastructure position the state to play a meaningful role in advanced nuclear technologies. As one interviewee observed, “we’ve been a leader in this space forever so it seems like a missed opportunity if there wasn’t additional exploration of that.”

The state hosts a mix of assets that could anchor the entire nuclear fuel cycle, from enrichment to advanced reactor development to spent fuel storage. In southeastern New Mexico, the Urenco USA facility provides the nation’s only commercial uranium enrichment, while private firms such as Kairos Power have established an engineering center in Albuquerque to advance next-generation reactor designs. Urenco is also preparing to expand into high-assay low-enriched uranium (HALEU) production after being selected for an award by the U.S. Department of Energy.²⁴ The region also hosts the proposed Holtec interim storage facility, which received a license from the Nuclear Regulatory Commission and was upheld by the U.S. Supreme Court, but now faces delays because transporting spent fuel requires state and local permits that have not yet been granted.

New Mexico’s nuclear potential is not limited to fission. Pacific Fusion will invest \$1 billion to build a research and manufacturing campus in Albuquerque’s Mesa del Sol, creating hundreds of jobs and positioning New Mexico as a national leader in fusion energy innovation.²⁵ This initiative builds on the state’s legacy in applied physics through institutions like Sandia National Laboratories.²⁶ The capabilities of both Los Alamos and Sandia National Laboratories suggest opportunities for nuclear fission and fusion development. These assets provide New Mexico with an unmatched foothold across the nuclear value chain, offering a potential pathway to attract federal and private investment, as well as to expand nuclear energy as a reliable source of clean power for the state. However, moving forward will require resolving siting, permitting, and community trust issues that continue to shape the future of nuclear power in the state.

Potential Solutions

The Energy, Minerals, and Natural Resources Department, in partnership with the Oil Conservation Division, the State Land Office, and the Attorney General, could establish a CO₂ storage leasing program on state trust lands. A standardized framework for royalty and rental terms, financial assurance, monitoring and verification, pore-space unitization, and liability transfer would operationalize HB 458 and create a new category of trust revenue. Embedding protections for water, cultural resources, and Tribal interests from the outset would strengthen public trust and ensure long-term stability.

The Legislature could create a permitting framework for critical minerals that balances revenue with safeguards. As demand rises for lithium, copper, and rare earth elements, New Mexico could position itself as a domestic supplier by requiring strong environmental standards, third-party certification, and community benefit agreements. This would allow the state to capture value from mineral extraction while ensuring revenues are broadly shared and projects avoid the boom-bust dynamics of past extractive cycles.

The Economic Development Department, in coordination with the Energy, Minerals and Natural Resources Department, could establish a dedicated liaison office within the Economic Development Department to proactively identify and facilitate partnerships with Sandia and Los Alamos National Laboratories around nuclear energy and critical minerals supply chain opportunities. New Mexico hosts two of the nation's premier research facilities, yet lacks a coordinated approach to help New Mexico companies and institutions access the technology transfer programs, CRADAs, and workforce development opportunities the labs offer. A senior officer focused on this coordination could help state entities navigate federal partnership mechanisms, identify where New Mexico's critical mineral deposits or manufacturing capabilities align with lab research priorities, and ensure local companies are aware of and competitive for collaboration opportunities. This proactive state-side coordination would position New Mexico to more effectively leverage its proximity to world-class research facilities, strengthening both the labs' regional ecosystem and the state's emerging clean energy supply chain.

Successful models for lab partnerships already exist within the state. The New Mexico Consortium (NMC), formed by Los Alamos National Laboratory and the state's three research universities, demonstrates how "outside the fence" collaboration can expand research capacity and support commercialization. Housed in a facility financed by Los Alamos County, the NMC supports 40 researchers and provides space for both start-up businesses and Los Alamos to demonstrate and deploy innovative technologies. Joint appointments allow Los Alamos researchers to participate in university research projects supported with non-DOE funding, while the NMC accepts equity stakes in companies using the facility. A state liaison office could help replicate and scale this model, connecting lab capabilities to critical minerals processing, advanced manufacturing, and clean energy supply chain development—positioning New Mexico to more effectively leverage its

proximity to world-class research facilities and strengthen both the labs' regional ecosystem and the state's emerging industrial base.²⁷

Summary of Potential Solutions

Key
<i>Solution may be pursued through:</i>
Legislative Action
Administrative/Regulatory Action

Table 1. Feasible and Impactful Solutions

Gap	Feasible and Impactful Solutions
 Decades of oil-and-gas revenue have positioned New Mexico to invest in a broader industrial base, but have also left the state vulnerable to market and policy shifts.	New Mexico could defend its 50% share of onshore federal oil-and-gas revenues against further erosion by adopting a unified position opposing rollbacks like the OBBBA royalty reduction. This would involve passing a bipartisan legislative resolution, mobilizing its congressional delegation to block future cuts, and building a coalition with local governments, Tribes, and other affected western states. The state could also pursue federal legislation restoring the onshore royalty rate to 16.67%, arguing this honors longstanding revenue-sharing compacts and protects funding for schools, infrastructure, and public services. Broad coalition support—from counties, municipalities, and Tribal nations—would demonstrate statewide benefit and strengthen the case in Congress. Stable federal mineral revenues could enable a managed energy transition by funding economic diversification, workforce development, and permanent funds that reduce boom-bust volatility.
 Constitutional frameworks governing New Mexico's permanent funds could be modernized to enhance flexibility and economic development capacity.	The Legislature could modernize its permanent funds by amending statutes—and, if needed, the constitution—to let clean energy revenues from state trust lands flow into the Land Grant Permanent Fund (LGPF). Allowing clean energy revenues to flow into the LGPF would ensure that as the economy shifts, new industries contribute to a durable, intergenerational source of fiscal stability. To achieve this, the state could begin with an executive order directing the State Investment Council to treat clean energy revenues as permanent fund deposits—meaning they would be invested in the same portfolio of stocks, bonds, and other assets as oil and gas royalties, rather than spent immediately. This executive action would create a policy foundation for subsequent legislative action. The governor and Legislature would then advance statutory changes to formally authorize renewable revenue deposits into the LGPF.

	The Legislature could direct a defined portion of annual fossil revenues into a dedicated segment of the STPF focused on funding for state agencies and universities to support research and development, infrastructure, or workforce programs that advance commercialization and deployment for clean energy in the state. For example, lawmakers could authorize up to 10–11% of new severance tax inflows—the current ceiling for private equity commitments—to be deployed into applied R&D partnerships with universities, national laboratories, and regional consortia. This kind of structured “test bed” would allow the state to pilot targeted allocations into R&D, infrastructure, and workforce programs while maintaining the overall principle of corpus protection.
 Underutilized state financing mechanisms and growing sectors offer pathways for expanding New Mexico's revenue portfolio.	The Legislature and governor could expand and adapt state financing tools to accelerate revenue diversification. The Local Economic Development Act (LEDA), the state's primary “closing fund” for business recruitment and expansion, provides public support through local governments for projects that create jobs and generate long-term tax revenue. Assistance is reimbursement-based and typically limited to land, buildings, and infrastructure improvements, with projects required to meet job creation milestones and subject to clawback provisions if commitments are not met. Strengthening LEDA and creating new mechanisms targeted at clean energy infrastructure would allow the state to support value-added biomass facilities, renewable manufacturing supply chains, and critical mineral processing. By channeling incentives through LEDA into these kinds of industries, policymakers could help secure durable, revenue-generating projects that align with long-term demand and strengthen the foundation for fiscal diversification.
	RETA, EDD and SLO could build on EDD's State Plan by creating a coordinated roadmap that links transmission planning, land leasing, and sector recruitment. While EDD has already identified diversification priorities, this step would operationalize them across agencies, providing clearer signals to investors, reducing duplication, and accelerating the siting of anchor industries that generate recurring state revenues.
	Lawmakers could also modernize New Mexico's financing framework by advancing a narrowly tailored constitutional amendment to the anti-donation clause, referred to voters by the Legislature. Such an amendment could explicitly authorize public investment in strategic industries tied to revenue diversification—such as clean energy manufacturing, biomass, and mineral processing—when structured with safeguards like equity stakes, performance requirements, and clawbacks. The Legislature would lead the referral process, while the Attorney General's office and the SIC could help draft language that preserves protections against subsidies but enables commercially reasonable investments. Once approved, the SIC and the NMFA could use this expanded authority to co-invest with private capital, finance large-scale infrastructure, and channel funds into projects that generate durable state revenues.

 New Mexico could diversify revenues by continuing to develop clean energy industries and the resources needed for the energy transition.	The Energy, Minerals, and Natural Resources Department (EMNRD), in partnership with the Oil Conservation Division (OCD), the State Land Office (SLO) and the Attorney General, could establish a CO₂ storage leasing program on state trust lands. A standardized framework for royalty and rental terms, financial assurance, monitoring and verification, pore-space unitization, and liability transfer would operationalize HB 458 and create a new category of trust revenue. Embedding protections for water, cultural resources, and Tribal interests from the outset would strengthen public trust and ensure long-term stability.
	The Legislature could create a permitting framework for critical minerals that balances revenue with safeguards. As demand rises for lithium, copper, and rare earth elements, New Mexico could position itself as a domestic supplier by requiring strong environmental standards, third-party certification, and community benefit agreements. This would allow the state to capture value from mineral extraction while ensuring revenues are broadly shared and projects avoid the boom-bust dynamics of past extractive cycles.
	The Economic Development Department, in coordination with the Energy, Minerals and Natural Resources Department, could establish a dedicated liaison office within the Economic Development Department to proactively identify and facilitate partnerships with Sandia and Los Alamos National Laboratories around nuclear energy and critical minerals supply chain opportunities. New Mexico hosts two of the nation's premier research facilities, yet lacks a coordinated approach to help New Mexico companies and institutions access the technology transfer programs, CRADAs, and workforce development opportunities the labs offer. A senior officer focused on this coordination could help state entities navigate federal partnership mechanisms, identify where New Mexico's critical mineral deposits or manufacturing capabilities align with lab research priorities, and ensure local companies are aware of and competitive for collaboration opportunities. This proactive state-side coordination would position New Mexico to more effectively leverage its proximity to world-class research facilities, strengthening both the labs' regional ecosystem and the state's emerging clean energy supply chain. Successful models for lab partnerships already exist within the state. The New Mexico Consortium (NMC), formed by Los Alamos National Laboratory and the state's three research universities, demonstrates how "outside the fence" collaboration can expand research capacity and support commercialization. Housed in a facility financed by Los Alamos County, the NMC supports 40 researchers and provides space for both start-up businesses and LANL to demonstrate and deploy innovative technologies. Joint appointments allow LANL researchers to participate in university research projects supported with non-DOE funding, while the NMC accepts equity stakes in companies using the facility. A state liaison office could help replicate and scale this model, connecting lab capabilities to critical minerals processing, advanced manufacturing, and clean energy supply chain development—positioning New Mexico to more effectively leverage its proximity to world-class research facilities and strengthen both the labs' regional ecosystem and the state's emerging industrial base.

Stakeholder Overview

The following table and list highlight examples of legislative champions (lawmakers who have sponsored or supported policies relevant to revenue stability and diversification) and other stakeholders whose roles, expertise, or influence intersect with revenue issues in New Mexico.

Table 2. Potential Legislative Champions

Role	Name	District	Justification
Rep	Christine Chandler	43	Advocate for fiscal stability and investment in strategic industries
Senator	George Muñoz	4	Proponent of permanent fund reforms and economic diversification.
Rep	Meredith Dixon	20	Interest in manufacturing recruitment and infrastructure investment.
Senator	Mimi Stewart	17	Senate sponsor of SB 48 (Community Benefit Fund); supports clean industry incentives

Preliminary List of Key Stakeholders

- **State Agencies:** State Investment Council (SIC); State Land Office (SLO); Economic Development Department (EDD); Energy, Minerals, and Natural Resources Department (EMNRD)
- **Regulatory Agencies:** Public Regulation Commission (PRC)
- **Industry and Developers:** Pattern Energy; Invenergy; renewable energy developers; critical mineral and mining firms; biomass companies
- **Manufacturing and Trade Organizations:** Manufacturing trade groups
- **Tribal Governments and Organizations:** Tribal governments
- **Municipal and Local Organizations:** Municipal economic development organizations
- **Financial Sector:** Venture capital funds; clean tech accelerators
- **Community-Based Organizations:** Economic diversification coalitions

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