

Barriers Summary

GOAL STATEMENT

Eliminate all operational greenhouse gas emissions and pollution from New Mexico's residential and small commercial buildings by 2050. This is as a means to creating affordable, comfortable, healthy, efficient, and resilient homes for **ALL** New Mexicans, prioritizing low income, disadvantaged, and Tribal communities.

BARRIERS TO ACHIEVING THIS GOAL

Low Awareness and Interest

Currently, there is a critical lack of awareness of and interest in decarbonization measures for residential and commercial buildings. Contributing factors include:

- Diverse, distributed knowledge and programs make it difficult to know where to go for information.
- Consumer behavior does not fully support decarbonization yet; consumers are unaware of the health impacts from combustion appliances.
- Decarbonization technologies are unfamiliar; hesitancy to invest in something new.
- Difficulty in staying abreast of technological innovations related to decarbonization.
- Contribution of residential and commercial buildings to New Mexico's overall emissions (4%).

Low Perceived Customer Value

Customers (end users) do not see a clear value proposition. Contributing factors include:

- Information regarding appliance upfront costs and operational costs is not accompanied by quantitative benefits.
- High complexity of applications for grants, tax credits and incentives are confusing for customers and contractors.
- Lack of customer understanding/interest in an energy audit to guide the appropriate sequence of comfort improvements.
- Lack of access to tax credits/incentives/financing options to bring down the upfront cost; payback periods are too long.
- Lack of tailored programs for different income groups or differentiation between rural versus urban needs.
- Split incentives between landlords and renters: landlords pay for the upfront costs, renters realize the operational benefits.

Low Perceived Contractor Value

Designers, contractors, and builders do not see a clear value proposition. Contributing factors include:

- Low availability of professional and trades personnel trained in decarbonization options, installation methods, costs and benefits.
- Lack of consumer demand seeking decarbonization solutions.

- Contractor tendency to implement what they are familiar with (with change comes risk); contractor business model relies on predictability and avoiding service callbacks.
- Not enough energy auditors to serve customers outside of major urban areas
- Exclusive focus on upfront construction cost for new homes/businesses
- Federal incentives are confusing and time-consuming to access; not paid out quickly enough for contractors' working cash needs.
- Inventory and supply chain bottlenecks that limit product availability.

Misaligned Policy

Existing building policies do not reflect the state's current greenhouse gas priorities. Contributing factors include:

- No guiding state policy to reduce building emissions.
- Lack of rate designs that provide value for beneficial electrification or "smart appliances" that support the grid.
- Lack of regulatory certainty for electric utilities regarding building electrification.
- Incentives for natural gas expansion (including residential gas furnace and water heater replacements, mixed-fuel new construction, and gas line extension allowances) appear inconsistent with greenhouse gas emissions goals.
- Lack of indoor air quality/comfort requirements (gas stoves, cooling)
- State building codes have been slow to keep pace with energy conservation updates.
- The Public Regulation Commission does not evaluate the cost of externalities, such as greenhouse gas emissions and other pollutants.

Infrastructure Readiness

The housing stock and the electricity infrastructure lack readiness for some decarbonization measures. Contributing factors include:

- Large inventory of old homes and mobile homes are likely to need weatherization and/or electrical improvements prior to decarbonization measures.
- Increased building electrification with simultaneous demand changes such as transportation and industrial electrification could stress the existing electric systems.
- Need for distribution grid modernization.