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Government & Regulations

New Mexico to buy \$500M of treated brackish water under new initiative



Image: Davel5957

The Rio Grande went dry in Albuquerque for the first time in nearly four decades in August 2022. New Mexico, through a new initiative, plans to spend \$500 million dollars purchasing brackish water that's been treated by private companies in an effort to hedge against worsening drought conditions and provide for industrial developments.

DAVEL5957

By [Drew Goretzka](#) and [Jacob Maranda](#) – Albuquerque Business First
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New Mexico plans to spend \$500 million purchasing brackish water – a salty alternative to groundwater – that's been treated by private companies in an effort to hedge against worsening drought conditions and provide for industrial developments.

The initiative, announced on Tuesday by New Mexico Gov. Michelle Lujan Grisham at the 2023 United Nations Climate Change Conference in Dubai, will be funded through revenues from severance taxes collected on the state's natural resource reserves, including oil and gas.

Lujan Grisham will seek \$250 million to be appropriated in the upcoming 2024 legislative session and will seek the same in the 2025 session, according to the Office of the Governor.

There is an estimated four billion acre-feet of brackish water beneath New Mexico. But those aquifers have higher salt content than freshwater reserves, making them generally unusable for consumption, agriculture and manufacturing without treatment.

If that massive amount of salty water could be utilized in New Mexico, as well as other states like Texas, it could help alleviate the risk of water shortages as the world's climate continues to warm and freshwater aquifers continue to deplete.

However, desalinating brackish water for day-to-day use, while relatively straightforward, is an expensive and energy-intensive process. These hurdles have stopped brackish water from being widely utilized in the areas where it's most present.

To address these challenges, New Mexico is looking to the private sector: Instead of building and maintaining brackish water plants with public dollars, it'll seek to buy \$500 million worth of desalinated water produced by private companies.

Known as "advance market commitments," the public sector-backed strategy is a way to decrease risks that surround building and maintaining costly infrastructure. The strategy has been used recently in other contexts, including to spur Covid-19 vaccine production and to drive carbon capture technologies.

James Kenney, secretary of the New Mexico Environment Department, compared advance market commitments to developers building houses. If a family has agreed to purchase a house before construction begins, for example, the developer is more incentivized to build that house.

The developer, then, can go buy materials and find more financing for the house when it has an assured customer, in the same way that water treatment companies can seek to raise money and develop facilities when they've already locked in a customer for their treated water – in this case, the State of New Mexico.

“We’re basically saying, ‘We’ll buy the houses if you build on these lots,’” Kenney told Albuquerque Business First. “[Companies’] ability to get capital with a signed agreement

in-hand by the State of New Mexico to buy the water de-risks their capital.”

Desalinated brackish water would be prioritized for New Mexico’s manufacturing sector, acting as an alternative to freshwater that’s better suited for consumption or agriculture. Large manufacturing outfits coming into the state – like Maxeon Solar Technologies Ltd. (NASDAQ: MAXN), whose water needs were a key part of discussions when choosing Albuquerque’s Mesa del Sol community for its new solar cell plant – could be a customer for treated water the State is looking to buy, Kenney said.

Hydrogen production firms, too, could be future water customers. That’s because one of the [cleanest ways to produce hydrogen](#) currently is through a process called electrolysis, or water splitting, which requires about nine liters of water to make one kilogram of hydrogen, according to an [analysis](#) by energy research nonprofit Rocky Mountain Institute.

Many of the companies included in the recent [Western Interstates Hydrogen Hub proposal](#), a joint bid for federal hydrogen dollars, promised to use electrolysis-based production when making their hydrogen.

“The idea is we kind of de-bottleneck, and like to say depressurize, by having this new water supply that came from waste or low-value water and using it for energy or economic purposes,” Kenney said. “We can preserve the freshwater for communities.”

Developing the brackish water initiative has been a goal of the state for years, Kenney said, but it required multiple prerequisites to become a reality. He named the New Mexico Produced Water Act, which allowed treated water to be commercialized, and the creation of the New Mexico Produced Water Research Consortium as key milestones.

Using the advanced market commitment strategy came into play earlier this year, he added. After pitching it to the governor, the rest of the cabinet “rallied behind this idea,” Kenney said.

The State plans to begin accepting proposals from companies for production contracts in early 2024. While selection criteria are still being finalized, Kenney said there’s no “preconceived notion” as to what companies will be selected, ranging from startups to Fortune 500 titans.

As for the selection timeline, it’ll largely depend on how many proposals the State receives. Kenney estimated that contracts will be awarded around September next year.

– *Aayush Gupta, real estate reporter for Albuquerque Business First, contributed reporting to this story.*