“Oil and Covid-19: Will it be New Mexico’s Tipping Point?”
Tipping Point

…the point at which a series of changes or disruptions becomes significant enough to cause a larger, more important change.
Extreme Makeovers
Albuquerque Convention Center
Facts:

# 5 Largest State in Land Area  (121,589 sq. miles)

# 49 in Water Area    (233 sq. miles)

# 37 in Population  (2,081,000)

# 46 in Density  (population per square mile-19)

# 27  NM Inc. $94.8 Billion

(Bank of America #28 Fortune 500 List @ $93.6 7 Billion)
New Mexico: The hole in the donut state
Projected State Population Growth, Census 2010 to Census 2020

- Negative Growth
- 0-5%
- 5-10%
- 10-15%
- 15% and above

NM=19.7% Poverty Rate-2nd Highest in the US
27% of children live in poverty
2021 WalletHub #50 New Mexico - Worst State to Raise a Family

Best States For 2021
The largest generation by State

Gen Y
15 to 29 years

Gen X
30 to 49 years

Baby Boomers
50 to 69 years

Population Estimates as of July 1, 2014
What are the ‘Best States for Millennials’?

https://metropolistgroup.com/best-states-for-millennials/

[Map of the United States with rankings for best states for millennials]
New Mexico KIDS COUNT Profile

National Rank* (2020): 50th  Unchanged since 2019 (50th)

<table>
<thead>
<tr>
<th>Domains</th>
<th>Indicators of child well-being</th>
<th>2018</th>
<th>2018</th>
<th>2018</th>
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<td>Economic Well-Being</td>
<td>Children in poverty</td>
<td>124,000 children</td>
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*Due to a change in one of the health indicators, neither the overall rank nor the health domain rank are comparable to these rankings from previous years.

Source: KIDS COUNT Data Book, Annie E. Casey Foundation, 2019 and 2020

Get more KIDS COUNT data at datacenter.kidscount.org
HOW WOULD YOU DESCRIBE THE STATE WHERE YOU LIVE?

Percentage of residents who said their state was the best or one of the best possible to live in.

#2 Texas
#3 Utah
#9 Colorado
#18 Arizona
#24 Oklahoma
A Snapshot of New Mexico Regulations

125,395 Restrictions, 9.2 Million Words
13 Weeks to Read

A Snapshot of Arizona Regulations

63,919 Restrictions, 5.6 Million Words
8 Weeks to Read

Top 10 Industries Targeted by New Mexico State Regulation in 2018

<table>
<thead>
<tr>
<th>Industry</th>
<th>Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambulatory healthcare services</td>
<td>4,928</td>
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<tr>
<td>Chemical manufacturing</td>
<td>3,658</td>
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<tr>
<td>Transportation equipment manufacturing</td>
<td>3,170</td>
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<tr>
<td>Nursing and residential care facilities</td>
<td>3,044</td>
</tr>
<tr>
<td>Mining (except oil and gas)</td>
<td>2,902</td>
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<tr>
<td>Animal production and aquaculture</td>
<td>2,284</td>
</tr>
<tr>
<td>Hospitals</td>
<td>2,234</td>
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<tr>
<td>Food manufacturing</td>
<td>1,872</td>
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<tr>
<td>Utilities</td>
<td>1,715</td>
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<tr>
<td>Telecommunications</td>
<td>1,592</td>
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</tbody>
</table>
$1.00 NM pays in Federal Taxes NM gets $4.26 Back in Federal Funding
Top crude oil producing states, 2018

Federal Offshore Gulf of Mexico would rank #2 in production if it were a state.

Source: U.S. Energy Information Administration, Petroleum Supply Monthly, Table 26, March 2019, preliminary data
Oil & Gas: The **BIG Hole** in the **BUDGET** donut
“New Mexico coffers flush with cash from oil boom…”

“State revenue on track for all-time high of $7.8 billion…”
“Oil Price plunge wallops New Mexico…”

“New Mexico’s oil boom could soon turn to bust after World prices for crude crashed on Monday…”
“Special session to fix 2021 budget is needed sooner, not later…”

“…each $1 drop in the price per barrel is a hit of about $22 million to the state general fund. The FY21 budget was based on $50 a barrel. This week it is trading in the low $20s….”
“State outlook for revenue, reserves brightens…”

“The only reason our state is close to breaking even is because of federal action…” i.e. Stimulus

“…it would take more than $3 billion from other revenue sources to offset the total economic impact of the oil and natural gas industry…”
“Moratorium order shocks NM oil industry…”

“If there are limitations on federal drilling ... ...about half of the state’s oil production currently occurs on federal land…”

42,000 direct and 134,000 indirect O&G –

ABQ Journal Editorial-”Energy 911” January 31, 2021
JPMorgan says supplies will soon start shrinking faster and Brent may top $70 a barrel by year-end, climbing from about $55 now.

Bloomberg News 1/25/2021

+$330,000,000
Strengths & Opportunities
Composite Cost of Living Index
First Quarter 2019

Cost of Living Index

INDEX
- 115 or more
- 105.1 - 114.9
- 95 - 105
- 95 - 105
- Less than 95

Insets are not to scale
How Does Your State Rank on Property Taxes?

Property Tax Component Rankings, 2020 State Business Tax Climate Index

Note: A rank of 1 is best, 50 is worst. D.C.'s score and rank do not affect other states. The report shows tax systems as of July 1, 2019 (the beginning of Fiscal Year 2020).

Source: Tax Foundation, 2020 State Business Tax Climate Index
# States Business Incentives Rankings

## 2018 Business Incentive Rankings

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th># of incentive programs</th>
<th>Rank</th>
<th>State</th>
<th># of incentive programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Maryland</td>
<td>76</td>
<td>1</td>
<td>Oklahoma</td>
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<td>Pennsylvania</td>
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As of September 2018

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As of June 2020

Council for Community and Economic Research

[http://www.stateincentives.org](http://www.stateincentives.org)
“the weather...”
NATURAL DISASTERS
2018 Severe Weather Reports

Low Weather Impact on Productivity
Low Earthquake Risk

Tropical Storm and Hurricane Activity
“The future belongs to those who prepare for it.”

Ralph Waldo Emerson
Mega Trends…

Robotics & Artificial Intelligence
50% of jobs by 2025
65% of jobs will require associates+
Big Data & Analytics

Industrial Revolution 4.0
3-D Printing
Machine Learning
AR & VR (Augmented & Virtual Reality)

5G…Internet of Things (IOT)
Smart sensors
EV-Electric Vehicles
Autonomous Vehicles & Trucks
Smart Cities
Climate Change Adaptation
Industry 4.0
Intelligent production incorporated with IoT, cloud technology & big data

Industrial Revolution 4.0
Industrial Revolution 4.0
Industrial Revolution 4.0
Trade Agreements

USMCA ← U.S. → China

Tariffs

CIT

Tax Cuts & Jobs Act (TCJA)
The 21st Century Corporate Ethos...

ESG

Environmental, Social, Governance
BlackRock’s 2020 annual letter to CEO’s stated that…
“climate risk is investment risk.”

…for 2021, BlackRock …is expanding the group of companies for which it focuses on climate change from 440 to more than 1,000, calling on these companies to…

“disclose a business plan aligned with the goal of limiting global warming to well below 2 degrees Celsius, consistent with achieving net zero global GHG emissions by 2050.”

* BlackRock world’s largest asset manager with $8,670,000,000,000 in assets under management.

“The future ain’t what it used to be.”

Yogi Berra
Social distancing

WFH (A)
Remote work

E-commerce
“Get me out of here! Americans flee crowded cities amid Covid-19 …” USA Today

“Nearly a third of Americans are considering moving to less densely populated areas in the wake of the pandemic…” NY Times

“Appeal of Expensive Coastal Cities Wanes In Pandemic…” June 30, 2020 Globe Street.com
WFH (A)
Work from Home (Anywhere) Why Not New Mexico?

2021 Top 10 Remote-Ready Cities in the US
Livability-Sarah Kuta-January 26, 2021

#8-ABQ

US e-commerce penetration, %

10 years’ growth in 3 months

Source: Bank of America; Forrester Analytics; ShawSpring Research; US Department of Commerce; McKinsey analysis
“The coronavirus has exposed a dangerous risk to the national security and safety to United States citizens…”

Top 10 COVID-19 Takeaways For Corporate Site Selection-April 7, 2020-Business Facilities

China Is the World's Manufacturing Superpower

Top 10 countries by share of global manufacturing output in 2018*

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<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>7%</td>
</tr>
<tr>
<td>United States</td>
<td>26.2%</td>
</tr>
<tr>
<td>Japan</td>
<td>18.1%</td>
</tr>
<tr>
<td>Germany</td>
<td>5.8%</td>
</tr>
<tr>
<td>South Korea</td>
<td>3.3%</td>
</tr>
<tr>
<td>India</td>
<td>3.0%</td>
</tr>
<tr>
<td>Italy</td>
<td>2.3%</td>
</tr>
<tr>
<td>France</td>
<td>1.9%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.8%</td>
</tr>
<tr>
<td>Mexico</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

* output measured on a value-added basis in current U.S. dollars
Source: United Nations Statistics Division
China Is the World's Manufacturing Superpower

Top 10 countries by share of global manufacturing output in 2018*

- China: 28.4%
- United States: 16.6%
- Japan: 7.2%
- Germany: 5.8%
- South Korea: 3.3%
- India: 3.0%
- Italy: 2.3%
- France: 1.9%
- United Kingdom: 1.8%
- Mexico: 1.5%

* Output measured on a value-added basis in current U.S. dollars
Source: United Nations Statistics Division
In the headlines…

“Overextended and risky supply chains are no longer tolerable….”

“91% of the companies affected by the supply chain disruption in China are U.S. based.”

“The U.S. medical devices and biopharma sector is dangerously concentrated in China must be the first in line to disinvest there and reinvest back in the U.S.”

“COVID-19 is providing new and forceful momentum for the re-shoring of manufacturing investment back to the U.S. from China and elsewhere.”

"A recent Thomasnet.com survey of nearly 1,000 US-based manufacturers found that 64% are likely to bring production back to North America. …600-plus decisions could be made for new production, reshoring production, or some combination of both."

Colliers Site Selection Services-1/29/2021-site.selection@usa.colliers.com

What are the market forces driving reshoring and onshoring?

Supply Chain Risks and Costs

Total Costs-Energy-Taxes-Transportation

Transportation-disruption

Wage Gap is Closing

Technology-AI-Robotics-5G-3D Printing
ReShoring
OnShoring
Seven Reasons to Move International Manufacturing from China to Mexico

1. Wage Stability in Mexico vs. China

2. Mexico Offers Favorable Tax Benefits to Manufacturers

3. Operational Simplicity

4. Shipping Transit Time and Costs- 1 to 3 days vs. 30 days

5. Economic Status- Higher per capita incomes

6. Intellectual Property Protection

7. Access to Qualified and Affordable Labor

U.S. – Mexico Trade by Main POEs

Value in $ billion

Source: USDOT, BTS

$81,000,000,000
In the headlines…

“The pick for the next manufacturing superpower? Mexico.”

NearShoring

Should New Mexico develop a bi-national economic development plan for the NEXT NORMAL with Mexico?

https://insights.tetakawi.com/mexico-the-upcoming-manufacturing-superpower
“New Mexico has the Lowest Cost of Renewable Energy”
LEVELIZED COST OF RENEWABLE ENERGY IN THE LOWER 48 UNITED STATES:
BLENDLED SOLAR AND WIND

-19.79%
The RE100 organization in London has signed up 223 global companies who have publicly committed to a goal of 100% renewables.
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GreenShoring
GreenOnShoring
The Future and the NEXT NORMAL...

“The best way to predict the future is to create it...”

Peter Drucker
“Shoring” up New Mexico’s Economy in the NEXT NORMAL

- ReShoring
- OnShoring
- GreenOnShoring
- NearShoring
- GreenShoring

Flags of China, the United States, New Mexico, Mexico, and the United Nations.
Climate Change

GreenShoring

NearShoring

GreenOnShoring

IoT & 5G

Post Pandemic

Weather

Industry 4.0

Risk Mitigation

LCORE

R&D Universities

USMCA

RE100

Corporate ESG

WFH (A)

ReShoring

OnShoring

National R&D Labs
Connecting the Dots... in the NEXT NORMAL

- ReShoring
- National R&D Labs
- IoT & 5G
- NearShoring
- OnShoring
- Post Pandemic
- Weather
- GreenShoring

- Industry 4.0
- Risk Mitigation
- LCORE
- R&D Universities
- Corporate ESG
- GreenOnShoring
- WFH (A)
- Climate Change
Can NM “design” an economy for the 21st Century?
Needs

GAP

Raise Taxes

Raid the Permanent Fund

Grow

Tax Base

Increase Revenues

Business as Usual

Status Quo

Public

NP

Private

NP

Private

Oil & Gas

Growth

Public

Oil & Gas
NEXT NORMAL

-**Aerospace & Defense:** Space 2.0, AFRL, Spaceport America and more.
-**Biosciences:** The industry employs more than 7,000 with 640 industry establishments.
-**Cyber Security:** Both of New Mexico’s U.S. Department of Energy labs conduct extensive research in cyber security.
-**Global Trade:** Nearshoring to Mexico as a result of COVID-19
-**Intelligent & Advanced Manufacturing:** Industry 4.0, Robotics, IoT, AI and 5G, SNL-Center Excellence for Advanced Manufacturing
-**Sustainable & Green Energy:** A focus on climate change will accelerate … NM has the lowest cost of renewable energy-LCORE- in the US
-**Sustainable & Value-Added Agriculture:** This should also include water technology/innovation and food processing
New Mexico must develop a strategic business plan for the 21st Century…

New Mexico must diversify its economy… utilizing public/private partnerships…

New Mexico needs to focus on creating a more business friendly environment…

New Mexico needs to make real strategic infrastructure investments based on a 21st Century plan…

New Mexico must plan for the NEXT NORMAL… speed is of the essence…
New Mexico’s Trifecta

Nature

Culture

Technology
Call to action…

Participate
- Statewide EDD Economic Development Plan
- AED and Regional ED Plans

Advocate
- Let your voice be heard
- Support Broadband investment

Collaborate
- Public-Private Partnerships
- Promote Industry and Business Associations
- Collaboration and cooperation