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What Are the Implications of Mexico's Climate Change Law?

Inter-American Dialogue's Latin American Energy Advisor

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Q and A: What Are the Implications of Mexico's Climate Change Law?

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Mexico's Congress in April passed a landmark climate change law after three years of debate and revisions, Reuters reported. The bill's mandates require that 35 percent of Mexico's energy come from renewable sources by 2024 and carbon emissions must be 50 percent below 2000 levels by 2050, among other requirements. What will be the effects of Mexico's new climate law? Will the energy sector be able to meet the increased demand for renewable power? How do other Latin American countries' future energy plans compare with Mexico, and are they likely to adopt similar legislation? Does the law's passage reflect pessimism about the possibility of a global consensus on climate change mitigation?

A: Christina McCain, senior manager of the Latin American Climate Initiative at the Environmental Defense Fund:

“Mexico’s recent passage of the General Law on Climate Change could put the country well on its way to firmly establishing itself as a global climate leader—if it stays on track to reach its goals of ambitious greenhouse gas emissions reductions. Mexico has already established a precedent of reaching such self-imposed goals and is on track to reach its national targets for 2009-2012. While the specific goals for emissions reductions set forth in the new climate law are conditional and the law itself lacks defined sanctions if Mexico fails to meet them, it does lay down a clear marker of ambition and the means to get there. It puts into place a well-laid-out machinery and authority to address climate change at the national level, including allowing market-based systems such as domestic emissions trading to be developed. It provides Mexico with a critically important framework that can achieve the law's full potential through strong, smart implementation and enforcement. The law can also capitalize on previous efforts in Mexico to transition to renewable energy sources. Mexico's electricity-sector reforms for example, have already promoted diversification of its energy generation sources, incentives to make renewable energy more attractive and explicit authority for considering environmental externalities in decisions about energy generation and use. While the law's passage itself is not the end of the story in Mexico, it is an enormous first step by this administration and Congress and a tremendous opportunity for its next president to put real climate gains on the map globally.”

A: Allan T. Marks, partner at Milbank, Tweed, Hadley & McCloy, LLP:

"With this law, Mexico has taken a significant first step toward the establishment of the legal infrastructure necessary to take part in a post-Kyoto global carbon-reduction regime. The new law indicates optimism about the creation of new international carbon-reduction rules, which Mexico has supported, but does not by itself require real change nor stimulate more investment in renewable power projects in Mexico. The statute mandates a national inventory of carbon emission sources and the establishment of a national emission reporting mechanism. Mexico would thereby be placed in a position to participate in any present or future global carbon-trading regime within a short period of time, whatever shape such a regime takes. The statute also grants governmental agencies broad latitude to establish mechanisms to reduce carbon emissions, including the establishment of a national voluntary carbon-credit trading regime. If those rules create tradable credits, there would be real incentive for new renewable energy investments. It remains to be seen whether Mexican government agencies will use such authority to enact bold implementing regulations or whether the authorities will prefer to wait until a broader consensus is reached with respect to the establishment of a global carbon trading regime. There remain many unanswered questions even with this new law, particularly until implementing regulations are adopted. The scope and shape of those rules will depend in large part on who wins Mexico's presidential election in July. And, of course, there will be no real economic advantage to creating new carbon credits under the law until there is more clarity on a global cap-and-trade system or another international scheme to reduce greenhouse gas emissions after the commitment period under the Kyoto Protocol expires."

A: Duncan Wood, professor and director of the International Relations and Canadian Studies programs at the Instituto Tecnológico Autónomo de México:

"Mexico's new climate change law reinforces the reputation of the Calderón administration as a developing country leader in the global effort to reduce carbon emissions. Among the Latin American nations, only Brazil comes close to what Mexico has done in terms of renewable energy development (by the end of 2013 Mexico may surpass Brazil in terms of installed wind capacity), and no other country has taken similar steps to what Mexico has achieved with regard to energy efficiency and energy savings. Mexico's renewable energy is on the verge of a boom, with total potential for wind power exceeding 71,000 MW according to government estimates. However, despite impressive investment levels in recent years, Mexico has only just passed the 1,000 MW mark in installed capacity, and significant barriers remain, including a lack of subsidies and insufficient transmission capacity. Beyond renewable energy, we have the question of what to do with Pemex, which is the largest single contributor to greenhouse gas (GG) emissions and has a terrible record, for example, on gas flaring. Furthermore, as Mexico's population increases and becomes wealthier, the demand for automobiles will only increase, thereby straining the country's limits on GG emissions. Overall, the Carbon Change Law passed in April of this year resembles so many of the Calderón administration's initiatives with regard to energy and the environment. The government has set a target that is both ambitious and admirable, but has not identified a roadmap for how to get there. The National Energy Strategy, currently being debated in the Mexican Congress, is a similarly ambitious but vague document, and it will likely be rejected for that very reason. Mexico's commitment to reducing emissions depends upon international funding, but there is little idea about from where exactly that money

will come. What is needed to make the new Climate Law credible is for the government to map out the ways in which emissions can be cut and ways in which mitigation projects can be financed."

A: Miguel Ángel Alonso, general director of Acciona Energía México:

"The General Climate Change Law recently approved by the Mexican Congress is an important and ambitious statute that sets an important landmark for all developing countries (and developed countries) in terms of their commitment toward sustainable development of low-carbon economies. It is the second of its kind in the world (only the United Kingdom has a similar statute) and expected to interact with a number of economic sectors, certainly having a direct impact on the Mexican energy sector. Mexico is not required under the Kyoto Protocol to reduce its emissions (it is a non-Annex 1 country). However the government has established the goal of reducing the country's carbon emissions by 50 percent by 2050 (with respect to 2000 levels) and assuring that 35 percent of the electricity in Mexico will be generated from renewable energy sources by 2024. This includes a series of milestones to achieve the implementation of specific measures and actions. However, it is important to note that Mexico has linked its emission reduction targets to the establishment of an international regime providing financial and technological support mechanisms from developed countries to developing countries. Interestingly, the law expects the involvement of all three government levels (federal, state and municipal) in taking specific actions to accomplish its stated purposes, which is an additional positive aspect. The law even calls for all three government levels to pass the necessary reforms (presumably tax reforms) to obtain sufficient funds to finance the required actions. In any case, achievement of the expected results will require a firm commitment from the Mexican government to create adequate investment conditions and incentives for both developers and energy consumers, and adopt consistent energy and environmental policy measures in the short, medium and long terms. The new General Climate Change Law provides a wide range of alternatives to do so, including, the creation of a domestic market for certified emission reductions, subsidies to renewable energy, the creation of a green fund and tax incentives."

The Energy Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.