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Mexico Announces New Wind-Energy Project in Oaxaca; Critics Say Government Not Doing Enough to Promote Renewables

By Carlos Navarro

At the recent economic conference in Davos, Switzerland, in January 2011, President Felipe Calderón went out of his way to boast about a new agreement that the Mexican government had just reached with the Spanish engineering company Iberdrola to construct a wind-energy plant in Oaxaca State with capacity to generate 20 megawatts of energy. After all, Calderón has gone to great lengths to promote his administration's commitment to environmentally friendly and renewable energy. This effort helped the Mexican president convince the UN to hold the latest round of negotiations on global climate change in Cancún in December 2010.

Yet, despite the public perception that Calderón is making a stronger effort to make Mexico a "green" country, critics suggest that the Mexican president and the Congress are not doing enough to promote renewable energy. A strong effort is important, they say, because Mexico is far behind other countries in implementing the technologies that will make a major difference in reducing pollution and ensuring Mexico's energy security.

Mexico important for Iberdrola

Iberdrola's rapid expansion in Mexico is part of its strategy to expand business in Latin America for its subsidiary Iberdrola Renovables. The company, which also sees the US and Britain as important markets for renewable energy, has targeted Mexico and Brazil for expansion. As part of its expansion in Brazil, the company has installed a wind farm in the state of Rio Grande do Norte, with an installed capacity of 49 MW. The company and its partner Neoenergia were recently awarded a contract to construct nine wind farms in Brazil, with a combined installed capacity of 258 MW.

Iberdrola's efforts in Mexico are concentrated in Oaxaca state, where conditions are ideal for wind power, particularly along coastal areas. The company received Mexico's first wind-energy concession in 2009, which involved constructing La Ventosa wind farm, with a capacity of 80 MW, near the coastal community of *Juchitán de Zaragoza* in Oaxaca state.

Iberdrola subsequently received a concession to construct La Venta III wind farm in the community of Santo Domingo Ingenio, in Oaxaca, with an installed capacity of 103 MW.

In early January, Iberdrola announced that it had acquired another small wind-generating plant in Oaxaca, the Bii Nee Stipa facility, adjacent to La Ventosa *Juchitán de Zaragoza*. The seller was Spain-based *Gamesa Corporación Tecnológica SA*, which specializes in manufacturing turbines used for wind farms. Bii Nee Stipa has an installed capacity of 26 MW.

So, it came as no surprise that both the Mexican government and Iberdrola chief executive officer Ignacio Galán issued press statements at the Davos conference in late January boasting of an agreement that would have the Spanish company construct a new wind farm in Oaxaca with an installed capacity of 20 MW. The two parties said the wind farm was one of two projects

that Iberdrola would launch in Mexico this year. The other is an electricity cogeneration plant, which the Spanish company would build jointly with the Comisión Federal de Electricidad (CFE) in Guanajuato state to supply the power needs of the Salamanca refinery, operated by the state-run oil company PEMEX. The plant would have an installed capacity of 430 MW.

The Guanajuato project is expected to create about 1,500 jobs, while constructing the new wind farm in Oaxaca would result in about 5,000 new positions.

Calderón, who held a private meeting with Galán in Davos, used the occasion to underscore his commitment to continue promoting environmentally friendly technologies in Mexico while making the country attractive for international investment.

"Galán took advantage of his meeting with the Mexican president to express the interest of the Spanish power company in new wind projects, involving 900 MW, that the Mexican government is planning to open to bids," said the Spanish newspaper *El Mundo*, quoting an Iberdrola press release. "Galán also used the occasion to emphasize to the Mexican president that Mexico is a key to the international growth of Iberdrola."

One project that the CFE is planning to launch in the near future is a wind-powered facility to power a gas plant in Baja California state. Baja California is the only other state in Mexico that has an existing wind-powered plant. The facility, called La Rumorosa, supplies much of the electricity needs for the city of Mexicali.

Calderón's commitment to renewable energy questioned

There are differing views on whether the Calderón government and the Mexican Congress have done enough to promote renewable energy. Supporters point out that Mexico launched six projects in 2010, attracting investments of US\$1.5 billion. Most of the private capital was channeled to wind-energy projects.

But critics contend that the Calderón government's efforts to push for clean energy have been insufficient and mostly cosmetic. *Revista Manufactura*, in a piece published by CNNExpansión, points out that, despite numerous technical studies, dozens of regulatory changes, implementation of several public programs, a government commitment to clean power sources, and myriad subsidies from international organizations, renewable energy still accounts for less than 4% of Mexico's electrical power.

Deputy Jaime Álvarez Cisneros, chair of the special committee on renewable energy (Comisión Especial de Energías Renovables) in the lower house, said the administration's inadequate commitment to renewable energy is symbolized by the wind turbine atop an 80-meter steel tower erected at the Cancún international airport to greet visitors arriving for the UN summit on global climate change in December 2010. "Who are they trying to fool?" asked Álvarez, who criticized the "lack of depth" in the government's policies on renewable energy.

As an example, Álvarez Cisneros, a member of the opposition Partido Convergencia por la Democracia (PCD), criticized the administration's poor use of the special fund to promote renewable energy (Fondo para la Transición Energética y el Aprovechamiento Sustentable de la Energía), which should be used for more practical purposes. "The fund should be utilized directly to generate conditions to encourage investors to support renewable energy," said Álvarez. Under current practice, the fund is channeled through several Cabinet ministries, which determine how to spend the money.

"My understanding is that [the ministries] use the fund to promote energy efficiency, including installing new light bulbs and refrigerators," said José Luis Barquet, an advisor to the Asociación

Mexicana de Proveedores de Energías Renovables (AMPER), who also criticized the administration's efforts on alternative energy.

Barquet said the money devoted to the fund for 2010 and 2011, about 3 billion pesos (US\$250 million), could be used to finance another small wind-energy project.

"We're talking about an amount similar to the one that entrepreneur Carlos Slim spent on a share of *The New York Times* in 2000. And this amount was also the same as the budget for the film *Harry Potter and the Prisoner of Azkaban*," said CNNExpansión, quoting the Energía 360. "And even though not everyone can perform acts of magic with these resources, there are voices that consider that the true magic would be to identify a more concrete use for the funds."

Miguel García Reyes, a specialist on geosciences and natural resources at the Instituto Politécnico Nacional (IPN), emphasized the need for Mexico to make a greater effort to incorporate renewable energy into its power sources because the country is already two decades behind other nations. "México is a latecomer to the production of alternative energies and is 20 years behind others," said García, author of the book *La Seguridad Energética en el Siglo XXI. Los Nuevos Actores, el Gas Natural y las Fuentes Alternas de Energía*.

"[Mexico's predicament] is the result of the excessive use of petroleum, which has made it difficult to promote clean alternatives, such as wind, solar, tidal power, and biofuels," said García Reyes.

The IPN expert said there are many reasons why the executive and the Congress should view the situation with greater urgency, including global climate change, the precarious global oil-supply situation, and Mexico's national energy security.

"We do not have to wait until there is another abrupt change in the oil sector before we launch the studies on developing a new generation of energy sources," said García Reyes.

Mexican government officials acknowledge that one of the biggest obstacles in developing alternative energy is the lack of funds to finance the necessary projects. At a forum on alternative energy in Mexico City in late February, Alejandro Garduño, an adviser to the Secretaría de Hacienda y Crédito Público (SHCP), said the Mexican government has limited funds, and private banks have expressed little interest in financing such projects. He said the private financial institutions have not conducted extensive studies on the risks and benefits of green projects and are therefore reluctant to finance alternative energies.

The reticence of the private banking sector to participate in financing clean-energy projects has forced the Calderón government to take an alternative route, leveraging government funds with grants from multilateral institutions like the World Bank, the Inter-American Development Bank (IDB), and other organizations.

There are many strong arguments suggesting that investments in green technology could pay off in the long run. In a report released in late February, the UN Environment Program (UNEP) said that investing just 2% of global GDP, about US\$1.3 trillion, into greening sectors such as construction, energy, and fishing would expand the global economy at the same rate, if not a higher rate, as under present economic policies. "Investing 2% of global GDP into 10 key sectors can kick-start a transition toward a low-carbon world," said the UNEP, which is based in Nairobi.