

The Energy Transition in Mexico: Fundament for social inclusion and prosperity

Expert Workshop

Monday, 8 April 2019, 2:00 pm – 5:30 pm

Agora Energiewende | Anna-Louisa-Karsch-Straße 2 | 10178 Berlin

Mexico has formed a new government under Andrés Manuel López Obrador, who won the presidential election in July 2018, with the promise to fight corruption and to promote social justice in a country that classifies as middle income, but where 43 percent of the population lives in poverty. Unfortunately, Mexico's economic situation imposes constraints. With a 52 percent debt to GDP ratio and an interest rate in of 4,8 percent in real terms, the country runs a primary deficit and room for social investment is limited.

The energy sector has a pivotal role in this situation. Of special relevance is the Oil & Gas sector which generates highly fluctuating tax revenues, that represented around 30 to 40 percent of the government budget in the previous years (2006-2014), but reduced to a mere 18 percent in 2018. Moreover, PEMEX, the state's National Oil Company, who has been a cash cow for the government for years, now requires governmental support to perform its critical role for the Mexican economy.

The Power Sector represents another significant challenge for the central government. The national power utility CFE has a leverage ratio of 3,2x (March 2018) which limits its investment capacity and it relies on the reimbursement of subsidies that are being granted to households.

In contrast to these challenges, Mexico has proven to host one of the world's most attractive renewable energy resources and was able to contract renewable energy generation with prices as low as 19,7 USD per MWh and 17,8 USD per MWh for solar and wind power generation, respectively.

The objective of our event is to discuss how Mexico could use its world class renewable energy endowments to reduce subsidies and fossil fuel imports, as well as to build an industry that can complement the dependency on Oil & Gas exploitation and promote the more equitable economic growth that the government is pursuing. The outcome of our discussion shall subsidize the development of a more comprehensive study to propose an economic development strategy that can leverage the global technological and economic progress of the energy transition to inspire sustainable and equitable growth for the Mexican society.

Scope and Target Audience

Representatives from Mexico's and Germany's government, private sector, academy and civil society, that have experience and interest in working with the Mexican energy sector.

AGENDA

2:00 - 2:20	Registration & Coffee
2:20 - 2:30	<p>Welcome & Introduction to the International Programme of Agora Energiewende</p> <p>Philipp Hauser, Senior Associate, Agora Energiewende</p>
2:30 - 2:50	<p>Mexico in a nutshell</p> <p>Cecilia Reyes Retana, Latin America Team, Agora Energiewende</p>
Part I: Analysis of Mexico's Status Quo in Terms of Fiscal Context and Energy Policy	
2:50 - 3:10	<p>Fundament I: Evolution, Status and Challenges of Mexico's Fiscal Situation:</p> <p>An analysis of Mexico's fiscal situation in terms of income and spending priorities sets the scene for the discussion of its challenges and opportunities in terms of energy transition.</p> <p>Alejandro Limón Portillo, Researcher at Centro de Investigación Económica y Presupuestaria (CIEP)</p>
3:10 - 3:30	<p>Fundament II: Oil & Gas in Mexico: Challenges & Opportunities</p> <p>Oil & Gas exploration has been the fundament for Mexico's economic development, but production and proven reserves have been dwindling. What does it mean for the future?</p> <p>Mariza Montes de Oca León, Researcher and PhD candidate DIW</p>
3:30 - 3:50	<p>Fundament III: Status and Outlook of the Power Sector</p> <p>The Mexican electricity market is subject to the monopole of the integrated governmental state utility CFE. What does this mean for the challenges and opportunities of the energy transition?</p> <p>Juan Rosellón, Professor-Researcher División de Economía -CIDE</p>
3:50 - 4:10	Discussion and Indicative Conclusions on the Status Quo
4:10 - 4:30	Coffee Break

Part II: Fundamentals and Assumptions for a Socially Equitable Energy Transition	
4:30 - 4:50	<p>Governmental Priorities & Assumptions for an Inclusive Energy Transition</p> <p>According to IRENA, the advent of cost-effective renewable energy generation technologies will impact the economic competitiveness and geopolitical relevance of countries. What does this mean for Mexico? What are the challenges, costs and benefits of expanding renewable energy generation?</p> <p>Philipp Hauser, Senior Associate, Agora Energiewende</p>
4:50 - 5:10	<p>Renewable Energy and Electrification: A New Development Plan for Mexico</p> <p>Based on the world record low costs of renewable energy developments in Mexico, as well as favorable properties of existing power generation assets, ICM has developed a comprehensive plan for the renewable expansion, efficiency and integration of Mexico's energy sector. Based on this plan we wish to discuss its opportunities and barriers from the perspective of social inclusion and prosperity for Mexico's society.</p> <p>Daniel Chacón, Energy Director at Iniciativa Climática de México</p>
5:10 - 5:30	<p>Discussion and Closing Remarks</p>
5:30 - 6:00	<p>Networking Coffee</p>