



# Clouds gather over Mexican clean energy sector

by Andrew Thompson

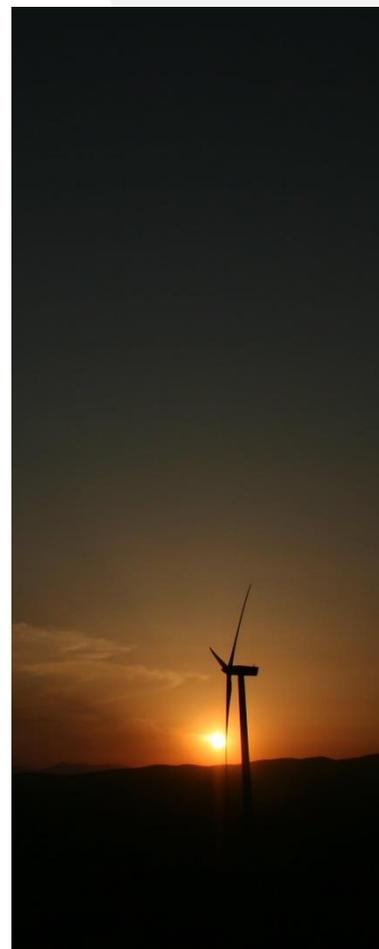
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## What happened?

Controversy over alleged Mexican government discrimination against renewable energy took a new turn with the Supreme Court ordering on 29 June a temporary suspension of policy changes announced in May by the ministry of energy (Secretaría de Energía – Sener).

## The details

Wind and solar energy is intermittent. The amount produced varies depending on when, and how strongly, the sun is shining, or the wind is blowing. Because electricity supply and demand need to be kept broadly in balance, solutions to intermittency are needed. These involve using “firming” generators or industrial-scale batteries that can be quickly switched on or off to balance the grid. The technology is being rapidly developed. So the Mexican renewables sector was surprised in May when the authorities said that because of intermittency and the added need for energy security during the COVID-19 pandemic, all grid connections for 28 completed solar and wind projects, plus a further 16 under construction, were being suspended until further notice. The decision put at risk some US\$6.4bn worth of investments in renewable energy made by Mexican and international companies. Many believe the intention was to boost two state-owned fossil fuel companies: financially troubled oil producer Pemex, and Comisión Federal de Electricidad (CFE) which uses highly-polluting fuel-oil powered electricity generators.



President Andrés Manuel López Obrador (AMLO) is a fossil-fuel enthusiast who appears ready to do battle with privately-owned energy companies. Canada and the EU have written formal letters saying the new rules threaten foreign investment. Press reports say Spanish company Iberdrola is considering cancelling a US\$1.2bn combined cycle generating plant. US-based oil and gas companies also claim unfair treatment. The American Fuel and Petrochemical Manufacturers (AFPM) and the American Petroleum Institute (API) say foreign companies that invested in Mexico after the 2013 energy reform are now being pushed back and discriminated against in a way that could be in violation of the new US-Mexico-Canada (USMCA) trade agreement. AMLO has hit back, repeating claims of over-pricing and contract-rigging under the previous administration.

## What does it mean?

Despite the Supreme Court ruling, the outlook for competitive clean energy supply in Mexico is now problematic. Under the 2015 Paris Climate agreement Mexico committed to generating 30% of energy from clean sources by 2021, up from around 23%. That may not now be achievable.

### About the Author

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As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC's Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.



These stories are also available on Andrew's blog site, [La Rambla Research](#).