

ADVERTISING SUPPLEMENT

# NEW RULES

THE ENERGY ISSUE

## NEW OPPORTUNITIES



MEXICO'S  
ENERGY SECTOR  
IS OPEN FOR  
**BUSINESS**

GRUPO  
**REFORMA**

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# INVESTING IN THE Mexican renewables market

**O**n August 2014, Mexican Congress reached the approval of the reform minutes to the secondary legislation derived from the constitutional energy bill that came into force on December 21st, 2013. This reform, among others, regulates the electricity industry, geothermal energy, as well as the new legal regime for the state owned Federal Electricity Commission (CFE), and gives rise to a new chapter in the country's energy sector.

In this manner, the modern history in the sector transits from a nationalism with a fierce governmental control over the energy resources to a scheme being very close to a free market that will be operated and controlled by the corresponding regulatory bodies of the State entitled to do so in the power and hydrocarbons sector.

## RECENT DEVELOPMENTS IN THE ELECTRICITY SECTOR

Throughout the past 18 months we have seen remarkable developments in the power sector including renewables, allowing private investors to actively participate in most stages of electricity generation, commercialization and supply. Potential challenges are mainly of a legal nature, as relevant laws and multiple regulations and

administrative guidelines for the power sector, have just been passed. It is very interesting to see how all these administrative guidelines are shaping the recently created wholesale electricity market which will provide interesting business opportunities to generators, suppliers, electricity brokers and end consumers.

Currently, power generation is predominantly based on fossil fuels. We expect a growth in the renewables, cogeneration and combined cycle generation projects due to the opening market and non-discriminatory regulations. So far we have seen increased attention in solar, wind and cogeneration energy projects. A very interesting investment opportunity is the new mid and long term tenders that are being called by the National Power Control Center (CENACE), which is the governmental regulatory body responsible for the control of the national electricity system. These tenders are aimed for national and foreign electricity generation project developers to offer energy, capacity, Clean Energy Certificates (CEL's) and associated products for the purchase by the CFE.

## MEXICO'S ENERGY TRANSITION ACT

In sync with tendency and preference that has been given to the development of renewable energy in more developed countries, the Mexican Congress passes on late December 2015th a new Energy Transition Act which purpose is to regulate the sustainable use of energy and the obligations of the electricity industry in matters of clean energy and the reduction of emissions, maintaining the competitiveness of the productive sectors.

## LOCATION IS ESSENTIAL FOR PROJECTS IN THE POWER SECTOR

It is important to analyse locations where investors engaging energy projects will have the necessary economic and social conditions to successfully carry out their projects. A large amount of these projects are engaged in rural communities, where the social factor plays a big role and must be assessed adequately and in parallel to the economic, legal and environmental aspects.

## DEVELOPMENTS GOING FORWARD

Energy reform is arguably one of the most ambitious legal agendas of the Mexican government in the past decade. In the midterm, it will accelerate economic growth and foreign investments in renewable projects. We are currently witnessing the aforementioned first steps of foreign and national private investors, and we expect those developments to speed up within 2016 and afterwards. As laws have just recently been passed or implemented, their application is being tested. ●

