CNI SUSTENTABILIDADE 2017
Protagonismo nos negócios sustentáveis
Mexico’s experience with issues related to competitiveness in carbon pricing instrument design
## Brazil vs. Mexico

<table>
<thead>
<tr>
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<th>Brazil</th>
<th>Mexico</th>
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</thead>
<tbody>
<tr>
<td>Population</td>
<td>207 M</td>
<td>127 M</td>
</tr>
<tr>
<td>Total area (km²)</td>
<td>8.516 M</td>
<td>1.964 M</td>
</tr>
<tr>
<td>Economy (USD)</td>
<td>1.796 B</td>
<td>1.064 B</td>
</tr>
<tr>
<td>Exports (USD)</td>
<td>195 B</td>
<td>391 B</td>
</tr>
<tr>
<td>Emissions (tCO₂e)</td>
<td>1.2 M</td>
<td>784 M</td>
</tr>
</tbody>
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Sectors: Energy, transport, agriculture and industry

Transport, energy, industry

Mexico is heavily exposed to trade barriers, and very vulnerable to climate change.
Institutional Framework

• General Law on Climate Change (2012):
  • Creates National Emissions Inventory for facilities emitting over 25,000 tCO$_2$e per year (over 3,000!)
  • Sets up the “Interministerial Commission on Climate Change” to coordinate government measures and actions.
  • Originates “environmental fiscal instruments”—carbon tax (since 2014), currently at MXN 42.00 (USD 2.4 USD).
  • GHG emission reductions aspirational goals (30% to 2020 and 50% to 2050)


• Energy Transition Law (2015): provides faculty to create an emissions trading scheme in the electricity sector to the Executive.
Challenges

• **Addressing competitiveness in private sector**
  • Industry heavily exposed to international trade (≈30% with California)
  • Economy transitioning from heavy oil to natural gas and renewables.
  • Discussion under way between industry and government on cap setting and competitiveness.

• **Fiscal dependency on oil revenues.**

• **Political will:** current administration provides political will to develop an economy wide ETS but elections in 2018 – what will happen next?
ETS Simulation at Stock Exchange

- **Capacity Building in private sector**
  - Joint project among Mexican Stock Exchange and Mexican Ministry of Environment (SEMARNAT) to create capabilities in the Mexican private sector.
  - Start date: October 2017.
  - More than 90 participating companies from aviation, chemical and petrochemical, cement, ceramics, iron and steel, oil and gas, pulp and paper, etc.
  - 3 phases with different market parameters.
  - Advisory committee: WRI -California, Quebec and Ontario- Mexican subnationals: Jalisco, Mexico City, Mexico State, Nuevo Leon, NGOs: CESPEDES, EDF, ICAP, IETA.
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