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Rolando Fuentes, "How Sheinbaum's Energy Policies Could Reshape Mexico's Electricity Sector," Rice University's Baker Institute for Public Policy, November 15, 2024, <https://doi/10.25613/44YV-R909>.

On Nov. 6, 2024, President Claudia Sheinbaum's administration announced the National Strategy for the Electric Sector for 2024-30, which presents a critical crossroads for Mexico.

The initiative to deploy solar panels in the northern regions of Mexico is a commendable strategy that aligns with environmental sustainability and energy independence goals. High temperatures and abundant sunlight make northern Mexico an ideal location for solar energy production. The initiative can have multiple advantages:

Also included in President Sheinbaum's plan is the proposed market structure of allocating 54% of generation capacity to the state-owned utility Comisi n Federal de Electricidad (CFE) and 46% to private companies. This plan appears economically unsound, as this split fails to recognize the complexities of supply curves that characterize both public and private entities, carrying the following implications:

The Sheinbaum administration's proposal limits new renewable additions to 9,550 megawatts (MW) by 2030. For Mexico, limiting the installation of renewable energy capacity diminishes the country's ability to meet its climate goal, undermines the progress toward a sustainable energy transition, and runs counter to economic development objectives. For the world, the proposal's call to restrict renewable energy infrastructure directly conflicts with international commitments to curtail greenhouse gas emissions and transition toward low-carbon energy sources.

While concerns about the intermittency of renewable energy exist, numerous countries with higher renewable penetration have effectively managed these challenges. While the intermittency of solar and wind power is indeed a challenge, it is not insurmountable. Technical solutions -- such as energy storage, grid enhancements, and demand response strategies -- have been successfully implemented in countries, such as Germany and Spain. These examples show that increasing renewable capacity is feasible, even with the inherent variability of sources such as solar and wind.

The strategic direction proposed by the Sheinbaum administration presents opportunities and challenges. While its emphasis on environmental factors, the energy transition, and renewable energy is positive, the plan's heavy reliance on CFE, the artificial limitation of renewable energy capacity, and the overall absence of a well-defined, economically efficient market design are concerning.

The deployment of solar panels in northern Mexico is a beneficial policy that should be supported and financed through strategic subsidies. However, the proposed 54%-46% split between public and private

sectors lacks economic soundness and risks stifling competitive dynamics essential for growth. Also, capping renewable energy capacity threatens progress toward climate objectives and undermines potential economic growth arising from a robust renewable energy sector.

As stakeholders navigate these critical decisions, focusing on transparent, economically viable, and environmentally supportive policies will be vital in steering Mexico toward a sustainable and vibrant electricity sector.

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The Mexican Ministry of Energy (Secretaría de Energía or SENER) changed the operating rules for the Mexican power grid on May 16 to the detriment of private power producers, in particular wind and solar power projects.

The new rules are meant to preserve the grid's reliability, safety and continuity. With this latest action, SENER has eliminated any doubt that power sector policy in Mexico is being driven by the state-owned utility and dominant market player, CFE (Comisión Federal de Electricidad), rather than by sound and competitive policy principles enshrined in Mexican law.

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