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Mexico
Renewable Energy

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This country-specific Q&A provides an overview of renewable energy laws and regulations applicable in Mexico.

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Mexico: Renewable Energy

1. Does your jurisdiction have an established renewable energy industry? What are the main types and sizes of current and planned renewable energy projects? What are the current production levels? What is the generation mix (conventional vs renewables) in your country?

Yes, Mexico has an established renewable energy industry. As of December 31, 2023, Mexico's clean energy generation capacity reached 32,449 MW, encompassing solar, hydropower, wind, geothermal, nuclear, cogeneration, and biomass, according to the Development Program of the National Electric System 2024–2038.

It is anticipated that 22,360 MW of new power generation capacity will be installed in the period from 2024 to 2027, 71% of this capacity is expected to come from renewable sources, BESS and renewable distributed generation.

The main types of renewable energy projects in Mexico are:

- Hydropower: Installed capacity of 12,612 MW
- Wind farms: Installed capacity of 7,055 MW
- Solar power: Installed capacity of 7,469 MW
- Geothermal energy: Installed capacity of 976 MW

In 2023, clean energy production amounted to 80,358 GWh, representing 23.19% of the total energy produced in Mexico for that year. Clean energy generation capacity accounts for 36.45% of the total generation capacity installed in Mexico.

2. What are the key developments in renewable energy in your country over the last 12 months?

The key development in renewable energy in Mexico over the last 12 months is the enactment of the new Electricity Sector Law (Ley del Sector Eléctrico) and the Energy Planning and Transition Law (Ley de Planeación y Transición Energética) on March 18, 2025.

The Electricity Sector Law regulates the generation, storage, transmission, distribution, and commercialization of electricity in Mexico, including renewables. It also covers the planning and control of the national electricity system, the operation of the wholesale electricity market, replacing the now-repealed Electricity Industry Law (Ley de la Industria Eléctrica). The Energy Planning and Transition Law establishes the framework for strengthening the energy transition, promoting the sustainable use of energy, setting clean energy obligations, and reducing polluting emissions.

According to these laws, the government is obliged to promote renewable energy generation and to establish the rules for its development, in line with the energy policy established by the Ministry of Energy. These rules have not yet been issued. Their issuance will be crucial for the development of future renewable energy generation projects.

3. What are your country's net zero/carbon reduction targets? Are they law or an aspiration?

Mexico is a signatory to the Paris Agreement, which aims to limit the global temperature increase to well below 2°C above pre-industrial levels, with efforts to limit the increase to 1.5°C.

Additionally, the General Law of Climate Change establishes a legal framework for Mexico's climate policy. Under this law, Mexico had a binding target to produce at least 35% of its energy from clean sources by 2024. However, this law has not yet been updated to set new targets for the coming years.

4. Is there a legal definition of 'renewable energy' in your jurisdiction?

Yes, the Electricity Sector Law (Ley del Sector Eléctrico) and the Energy Planning and Transition Law (Ley de Planeación y Transición Energética) define both “clean energy” and “renewable energy.”

According to the Electricity Sector Law, “clean energy” includes sources and electricity generation processes where emissions or waste, if any, do not exceed the thresholds established by the relevant regulations. Among the sources and processes considered to be clean energy are wind, solar irradiation, tidal energy, geothermal, bioenergetics, biogas, hydrogen, hydropower, nuclear power, efficient cogeneration, energy produced in sugar mills, and energy from thermal power plants using carbon capture. In some cases, these sources and

processes must meet efficiency criteria or emissions thresholds set by the National Energy Commission or the Ministry of Environment and Natural Resources to be classified as clean energy.

On the other hand, the Energy Planning and Transition Law defines "renewable energy" as energy obtained from natural phenomena or processes and materials that can be transformed into energy and are naturally regenerated, making them available continuously or recurrently. Renewable energy sources include wind, solar irradiation, the movement of water in natural or artificial courses with existing reservoirs, ocean energy, geothermal, and bioenergetics.

5. Who are the key political and regulatory influencers for renewables industry in your jurisdiction? Is there any national regulatory authority and what is its role in the renewable energy market? Who are the key private sector players that are driving the green renewable energy transition in your jurisdiction?

The key political influencer for the renewables industry in Mexico is the Ministry of Energy (Secretaría de Energía). The Ministry of Energy sets the public policy for renewables and the overall power sector. Its policies are followed by governmental authorities in the power sector and by the state-owned utility, the Federal Electricity Commission (Comisión Federal de Electricidad).

The key regulatory influencer for the renewables industry is the National Energy Commission (Comisión Nacional de Energía). This recently created regulatory body operates within the structure of the Ministry of Energy. The National Energy Commission has the authority to issue and modify regulations in the electricity sector and to grant the generation permits required by law to produce power, including from renewable sources. Additionally, the Commission is responsible for granting Clean Energy Certificates (Certificados de Energías Limpias) to generators that produce power without using fossil fuels and for operating the system used for trading these certificates.

Another important entity in the renewables industry is the National Center for Energy Control (Centro Nacional de Control de Energía). The National Center for Energy Control has the authority to determine the infrastructure required to interconnect renewable power plants to the electric grid. This may include the installation of power storage batteries, the modernization of power substations, and the development and upgrading of transmission lines. The interconnection infrastructure determined by the National Center for Energy Control is crucial for evaluating the technical and economic viability of renewable generation projects.

In the private sector, key players driving the green renewable energy transition in Mexico include international and domestic companies involved in the development, construction, and operation of renewable energy projects. These companies are actively investing in and expanding Mexico's capacity for renewable energy generation.

6. What are the approaches businesses are taking to access renewable energy? Are some solutions easier to implement than others? If there was one emerging example of how businesses are engaging in renewable energy, what would that be? For example, purchasing green power from a supplier, direct corporate PPAs or use of assets like roofs to generate solar or wind?

There are two main schemes for businesses to access renewable energy in Mexico:

- Qualified Supply: Businesses with significant power demands (greater than 1 MW) can receive their power supply from qualified suppliers. In most cases, these suppliers are required to acquire power from clean energy generators. This approach is typically used by larger businesses with higher energy consumption needs.
- Distributed Generation: This scheme is suitable for businesses with lower power demands (less than 700 kW). These businesses can install solar panels on their rooftops or in their yards to generate clean power for their own use. Distributed generation helps businesses reduce their power bills and benefits the environment by producing clean energy.

The choice between qualified supply and distributed generation depends primarily on the business's power requirements rather than the ease of implementation.

An emerging example of how businesses are engaging in renewable energy is through Power Purchase Agreements (PPAs). These agreements allow businesses to contract directly with renewable energy producers to purchase green power. This approach provides businesses with a stable and predictable supply of renewable energy, often at lower costs compared to traditional energy sources, and demonstrates a strong

commitment to sustainability.

7. Has the business approach noticeably changed in the last year in its engagement with renewable energy? If it has why is this (e.g. because of ESG, Paris Agreement, price spikes, political or regulatory change)?

Overall, the interest of Mexican businesses in obtaining renewable energy has noticeably increased in recent years, primarily due to the implementation of ESG-related policies, which often include mandates to consume a certain amount of power generated from renewable sources. Additionally, renewable power tends to be cheaper than power produced using fossil fuels.

However, the development of renewable generation projects has decelerated in recent years, largely due to political decisions and regulatory changes that created uncertainty in the renewable energy industry in Mexico. For instance, from 2018 to 2020, the renewable generation capacity increased by approximately 2,780 MW per year. In contrast, from 2021 to 2023, the renewable generation capacity increased by only around 981 MW per year.

Despite these challenges, it is expected that interest in developing renewable generation projects will increase in the coming years as a result of the issuance of the new Electricity Sector Law (Ley del Sector Eléctrico) and the Energy Planning and Transition Law (Ley de Planeación y Transición Energética). These new laws aim to provide a more stable and supportive regulatory framework for renewable energy development.

8. How visible and mature are discussions in business around reducing carbon emissions; and how much support is being given from a political and regulatory perspective to this area (including energy efficiency)?

In recent years, discussions in businesses around reducing carbon emissions have become increasingly mature and visible. Many companies are integrating carbon reduction strategies into their operations and setting ambitious sustainability goals.

However, political and regulatory support for these efforts has been limited in recent years. Several high-level officials and authorities in the energy sector expressed concerns that generating power from renewable sources may affect the reliability of the power system.

Consequently, in recent years political decisions have been made that have reduced incentives for renewable energy generation. These decisions include cancelling long-term and mid-term power auctions, modifying the rules for granting Clean Energy Certificates, and delaying the process of granting and modifying generation permits.

Despite these challenges, there is optimism that the issuance of the new Electricity Sector Law (Ley del Sector Eléctrico) and the Energy Planning and Transition Law (Ley de Planeación y Transición Energética) will provide a more stable and supportive regulatory framework for renewable energy development. This, in turn, is expected to support efforts to reduce carbon emissions and improve energy efficiency.

9. How are rights to explore/set up or transfer renewable energy projects, such as solar or wind farms, granted? How do these differ based on the source of energy, i.e. solar, wind (on and offshore), nuclear, carbon capture, hydrogen, CHP, hydropower, geothermal; biomass; battery energy storage systems (BESS) and biomethane?

In Mexico, the establishment of renewable energy projects is governed by specific regulations based on the type of energy source. The general requirement for all renewable energy projects with an installed capacity of 0.7 MW or higher is to obtain a generation permit from the National Energy Commission (Comisión Nacional de Energía). This permit allows the holder to produce power and operate the necessary transmission lines to interconnect the power plant to the grid. Generation permits are granted for up to 30 years.

Other Specific Requirements by Energy Source:

- Geothermal Energy: An exploration permit from the Ministry of Energy is required. This permit allows the exploration of areas with geothermal potential, up to 150 km², for a term of up to four years (extendable for another four years). If geothermal resources are discovered, a concession for development can be requested, also granted by the Ministry of Energy for up to 30 years.
- Hydropower: A concession from the National Water Commission (Comisión Nacional del Agua) is required for using water to produce power, except for small-scale projects. These concessions are granted for up to 30 years and can be extended.
- Biomass: Permits for production, storage, transportation, distribution by pipelines,

commercialization, and retail may be required from the Ministry of Energy or the National Energy Commission.
- Solar and Wind (Onshore and Offshore): No specific governmental authorizations are required beyond the generation permit.
- Nuclear Energy: Nuclear generation is reserved for the Mexican State and managed through the Federal Electricity Commission (Comisión Federal de Electricidad).
- Carbon Capture and Hydrogen: There are currently no specific rules for these technologies.
- Battery Energy Storage Systems (BESS): Regulation for BESS was recently issued on March 7, 2025. It provides for five different BESS arrangements:
  - BESS associated with a Power Plant
  - BESS associated with a Load Center
  - BESS associated with a self-consumption scheme
  - Stand-alone BESS not associated with a power plant or load center
  - BESS associated with an Exempt Generator

Of these, BESS associated with a power plant must be included in the generation permit of the corresponding power plant. BESS associated with a Load Center does not require a power generation permit from the National Energy Commission but must be registered with the Commission within 90 business days after installation.

The authorizations required for the transfer of renewable energy projects depends on the method of transfer, such as the sale of assets or sale of shares of a special purpose vehicle. Required authorizations typically include approvals from the National Energy Commission and the Federal Antitrust Commission (Comisión Federal de Competencia Económica).

10. Is the government directly involved with the renewables industry (auctions etc)? Are there government-owned renewables companies or are there plans for one?

The Mexican government is actively involved in the renewables industry, although there is no government-owned renewables company specifically dedicated to this sector.

Instead, the Federal Electricity Commission (Comisión Federal de Electricidad, CFE), a state-owned utility, plays a significant role across the entire value chain of the power industry. The CFE participates in power generation in a competitive regime alongside private power producers within the wholesale electricity market. It also has exclusive responsibility for transmission and distribution activities. Additionally, the CFE is the solely basic supplier for final users, serving more than 45 million customers.

While the CFE is not exclusively a renewables company, its involvement in the generation of renewable energy forms part of its broader mandate within the Mexican energy sector.

11. What are the government's plans and strategies in terms of the renewables industry? Please also provide a brief overview of key legislation and regulation in the renewable energy sector, including any anticipated legislative proposals?

The key legislation governing the renewable energy sector in Mexico is rooted in the Mexican Constitution, which sets forth fundamental principles for promoting renewable energy projects, including:

- The recognition of the human right to a sound environment.
- The possibility for private investors to participate in the generation, storage, and commercialization of power, provided they do not have prevalence over the state-owned utility, the Federal Electricity Commission (Comisión Federal de Electricidad, CFE).
- The inclusion of obligations in the applicable regulations regarding clean energy and the reduction of polluting emissions.

Key legislation in the renewable energy sector includes:

- Electricity Sector Law (Ley del Sector Eléctrico): This law establishes the foundational framework for the power sector in Mexico, including provisions for renewable energy generation.
- Energy Planning and Transition Law (Ley de Planeación y Transición Energética): This law aims to increase the participation of clean energy generation within the electricity industry. It facilitates the achievement of clean energy goals and creates incentives for generating power without using fossil fuels, such as the issuance of Clean Energy Certificates.

In recent years, Mexico has faced political challenges that have not incentivized the development of new renewable generation projects. Several high-level officials and authorities in the energy sector have expressed concerns that renewable energy generation affects the reliability of the power system. Consequently, political decisions have

been made that have reduced incentives for renewable energy, including cancelling long-term and mid-term power auctions, modifying the rules for granting Clean Energy Certificates, and delaying the process of granting and modifying generation permits.

Despite these challenges, there is optimism that the issuance of the new Electricity Sector Law (Ley del Sector Eléctrico) and the Energy Planning and Transition Law (Ley de Planeación y Transición Energética) will provide a more stable and supportive regulatory framework for renewable energy development.

12. Are there any government incentive schemes promoting renewable energy (direct or indirect)? For example, are there any special tax deductions or subsidies (including Contracts for Difference) offered? Equally, are there any disincentives?

Yes, there are several government incentives to promote renewable energy generation in Mexico. The primary incentive is the Clean Energy Certificates (CELs). The National Energy Commission grants one Clean Energy Certificate for each megawatt-hour (MW/h) produced without using fossil fuels, for a period of up to 20 years. Renewable energy generators can trade these certificates in the market to obtain additional income.

In addition to Clean Energy Certificates, other incentives include exemptions from fees for obtaining and modifying generation permits. Renewable energy projects may also register in preferential schemes for the importation of generation equipment, such as the Sectoral Promotion Program (Programa de Promoción Sectorial or PROSEC). Furthermore, renewable energy projects benefit from preferential dispatch within the wholesale electricity market due to their low production costs.

However, there are disincentives that primarily arise from political decisions rather than regulation or law. These include delays in the process of obtaining or modifying authorizations and requests for highly onerous interconnection infrastructure.

Despite these challenges, there is optimism that the issuance of the new Electricity Sector Law (Ley del Sector Eléctrico) and the Energy Planning and Transition Law (Ley de Planeación y Transición Energética) will provide a more stable and supportive regulatory framework for renewable energy development.

13. How does the structure of the natural gas industry in your country impact the price of electricity? Are there any plans to de-link the price of renewable electricity from gas prices?

The structure of the natural gas industry has a significant impact on the price of electricity in Mexico for two main reasons. Firstly, nearly half of the installed generation capacity in Mexico uses (or may use) natural gas as fuel. Secondly, Mexico imports more than 70% of the natural gas consumed in the country, primarily from the United States. This reliance on imports exposes Mexico to the volatility of international market prices and transport constraints.

It is not expected that this situation will change in the short term, as the government continues to promote the development of natural gas-powered power plants and the expansion of natural gas transportation pipelines, such as the expansion of the Mayakan Pipeline. Additionally, local production of natural gas is not anticipated to grow in the coming years.

As of now, there are no concrete plans to de-link the price of renewable electricity from gas prices. The current structure and policy direction indicate a continued dependency on natural gas for the foreseeable future.

14. What are the significant barriers that impede both the renewables industry and businesses' access to renewable energy? For example, permitting, grid delays, credit worthiness of counterparties, restrictions on foreign investment, regulatory constraints on acquisitions; disputes/challenges?

The most significant barriers impeding the growth of the renewables industry and businesses' access to renewable energy in Mexico are primarily related to permitting and grid delays.

Permitting processes are often lengthy and complex. When developing renewable generation projects, it is frequent to encounter delays in the administrative procedures for granting and modifying permits and licenses. Authorities tend to request excessive documentation and requirements, adding to the complexity and duration of these processes.

Another major barrier is related to grid constraints. The transmission and distribution of power are considered public services exclusively managed by the state-owned utility, the Federal Electricity Commission (Comisión Federal de Electricidad, CFE). However, there has been a

lack of significant investment in new transmission lines and the modernization of existing infrastructure. As a result, transmission constraints and congestion are common issues, which can hinder the efficient distribution of renewable energy.

Other challenges may include the creditworthiness of counterparties and potential disputes or challenges that arise during project development. However, permitting and grid constraints remain the most pressing barriers.

15. What are the key contracts you typically expect to see in a new-build renewable energy project?

The key contracts related to a new-build renewable energy project typically include the following:

- **Financing Agreements:** In Mexico, renewable energy projects are commonly developed through project finance schemes. In these schemes, part of the funds required for the design, construction, commissioning, and operation of the renewable project plant are obtained from commercial and development banks. These funds are repaid with income from the sale of energy, capacity (Potencia), and Clean Energy Certificates produced by the power plant, either in the spot market or through electricity hedging agreements. The loan agreement and the security documents (such as trust and pledge agreements) are crucial for the development of the project.
- **Offtaker Agreements:** Renewable generation projects may be developed to satisfy the consumption needs of certain companies. In such cases, an electricity hedging agreement must be executed to set forth the terms and conditions for the generation and delivery of energy by the generator, in exchange for a consideration payable by the offtaker.
- **EPC Agreements:** Developers of renewable energy projects often hire recognized experts for the development of a new-build project. EPC agreements (Engineering, Procurement, and Construction) outline the terms and conditions for the design and construction of the power plant by the contractor, in exchange for consideration payable by the owner.
- **Interconnection Agreements:** An interconnection agreement between the generator and the owner of the transmission and distribution grid (this is, the Comisión Federal de Electricidad) must be executed to allow the physical interconnection of the power plant to the grid. Before executing the interconnection agreement, certain interconnection studies must be performed by the National Center of Energy Control (Centro Nacional de Control de Energía) to assess the interconnection infrastructure that the generator must develop to comply with regulations, including technical standards for efficiency, quality, reliability, continuity, safety, and sustainability of the electric grid.
- **Market Participant Agreements:** Power plants interconnected to the electric grid require representation by a generator in the wholesale electricity market. The developer of the renewable power plant can either become a market participant in the modality of a generator by executing the relevant market participant agreement with the National Center of Energy Control or hire a market participant in the modality of a generator for representation of the power plant by executing the relevant representation agreement.
- **Land Agreements (RoW):** It is essential to secure agreements for obtaining the land required to install the power plant, build the substation, and establish the rights of way necessary for constructing the transmission line. These agreements are generally unregulated, except for those related to geothermal and hydropower projects.

16. Are there any restrictions on the export of renewable energy, local content obligations or domestic supply obligations? What are the impacts (either actual or expected) of the implementation of the Net Zero Industry Act (EU) Regulation 2024/1735?

No, there are no restrictions on the export of renewable energy, local content obligations, or domestic supply obligations in Mexico. Market participants are permitted to export power through international interconnections with the electrical systems of the United States, Guatemala, and Belize. However, such market participants and the import/export operations must comply with the wholesale electricity market rules as well as regulations concerning customs and foreign trade.

17. Has deployment of renewables been impacted in the last year by any non-country specific factors: For example, financing costs, supply chain or taxes or subsidies (e.g. the US's Inflation Reduction Act)?

No, the deployment of renewables in Mexico has been primarily impacted by country-specific factors, such as the political context and regulatory changes. However, the access to cheaper and more efficient generation equipment produced in other countries, such as solar

panels and wind turbines, has positively influenced the deployment of renewables. This access has increased the interest of companies in generating clean energy, contributing to the growth of the renewables sector despite the domestic challenges.

18. Could you provide a brief overview of the major projects that are currently happening in your jurisdiction?

The development of renewable projects in Mexico had decreased in previous years due to political decisions and regulatory changes that created uncertainty in the renewable energy industry.

However, in February 2025, the new federal administration published the “Plan for the Strengthening and Expansion of the National Electric System 2025-2030," which outlines the development of 51 power generation projects with a total generation capacity of 22,674 MW. This plan includes the development of:

- Seven wind farms with a generation capacity of 2,470 MW.
- Nine solar power plants with a generation capacity of 4,673 MW.
- Five combined cycle plants with a generation capacity of 3,425 MW.
- The installation of 2,216 MW of Battery Energy Storage Systems (BESS).

The plan also provides for the enhancement of the transmission grid, particularly in the Querétaro region where major constraints currently exist.

This initiative, along with the optimism surrounding the issuance of the new Electricity Sector Law (Ley del Sector Eléctrico), marks a significant effort to boost the renewable energy sector in Mexico and enhance the national electric system's capacity and resilience.

19. How confident are you that your jurisdiction can become a leader in newer areas like offshore wind or hydrogen?

Mexico has significant potential to become a leader in offshore wind, hydrogen, and other renewable generation technologies. The country boasts a coastline of more than 11,000 kilometers along both the Pacific and Atlantic oceans. Studies indicate that Mexico has some of the highest potential areas for offshore wind generation worldwide.

In addition to its offshore wind potential, Mexico is one of the countries with the highest levels of solar irradiation globally, receiving substantial solar irradiation across most of its territory. This makes it an ideal location for large-scale solar power projects.

Moreover, Mexico possesses considerable lithium reserves, which could be pivotal in promoting energy storage solutions. Lithium is a critical component in battery technology, and its availability can support the development of advanced energy storage systems, facilitating the integration of renewable energy sources like solar and wind into the grid.

Furthermore, Mexico's geographical location and existing infrastructure provide a strong foundation for developing green hydrogen projects. The country's access to abundant renewable energy resources can be leveraged to produce green hydrogen, which can be used domestically or exported to international markets.

While the potential is substantial, realizing this vision will require supportive policies, significant investment, and the development of the necessary technological and regulatory frameworks.

20. How are renewables projects commonly financed in your jurisdiction?

The financing of renewables projects in Mexico depends mainly on whether the project is developed by the state-owned utility, Comisión Federal de Electricidad (CFE), or by a private developer.

For CFE projects: CFE usually finances its renewable generation projects with budgetary funds or through trusts specifically created by CFE for financing renewable and conventional generation projects. However, given the budgetary constraints CFE is facing, it is likely that CFE will need to implement new schemes for financing new generation projects, including the new mixed-development projects created in the recently enacted Electricity Sector Law (Ley del Sector Eléctrico).

For private developers: The most common financing scheme used for the development of renewable power plants is “project finance." In these schemes, part of the funding required for the design, construction, commissioning, and operation of the renewable project plant is obtained from commercial and development banks. In project finance schemes, the loan agreement and the security documents (such as trust and pledge agreements) are crucial for the development of the project.

In addition to project finance, new renewable generation projects are also financed with corporate funds. Companies may use their internal capital to fund these projects, either in whole or in part, depending on their financial strategy and capacity.

21. What is your forecast for the coming year(s) for renewable energy in your jurisdiction?

We are optimistic about the future of renewable energy in Mexico. The enactment of the new Electricity Sector Law (Ley del Sector Eléctrico) is expected to provide a more stable and supportive regulatory framework for renewable energy development. The law maintains the possibility for electricity generation to be carried out by the Mexican State or by private parties through renewable distributed generation and generation for the wholesale electricity market. Additionally, it opens the possibility for electricity generation to be carried out jointly by the Mexican State and private parties through "mixed development" schemes.

The "mixed development" schemes includes long-term production, which is essentially an independent power producer scheme, and mixed investment, which involves the development of a power plant by the CFE and a private entity, provided that CFE must hold a direct or indirect participation of at least 54%. Other schemes may also be defined by future regulations or provisions.

The demand for renewable energy is expected to increase due to the growing power needs in Mexico in the coming years. Furthermore, there is a rising interest among companies to comply with Environmental, Social, and Governance (ESG) principles, which will drive more investments in renewable energy projects.

Technological advancements, decreasing costs of renewable energy technologies, and global trends towards decarbonization are likely to further support the growth of the renewable energy sector in Mexico.

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