

IFFS and the Mexican Nationally Determined Contribution

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Why subsidies are relevant for climate change policy?

- Distortion of impact of fossil fuels
 - No value -> no property rights -> no market -> inefficient allocation
- Distortion of investments assessment
 - Fair, just, equitable allocation of resources?
- Behavioral impact
- Source of contradictions? Or are they competing for our attention?
 - Commitment with Paris Agreement and our NDC
 - Profitability of state-owned companies (pre-Reform)
 - Support low-income households (prevailing poverty)

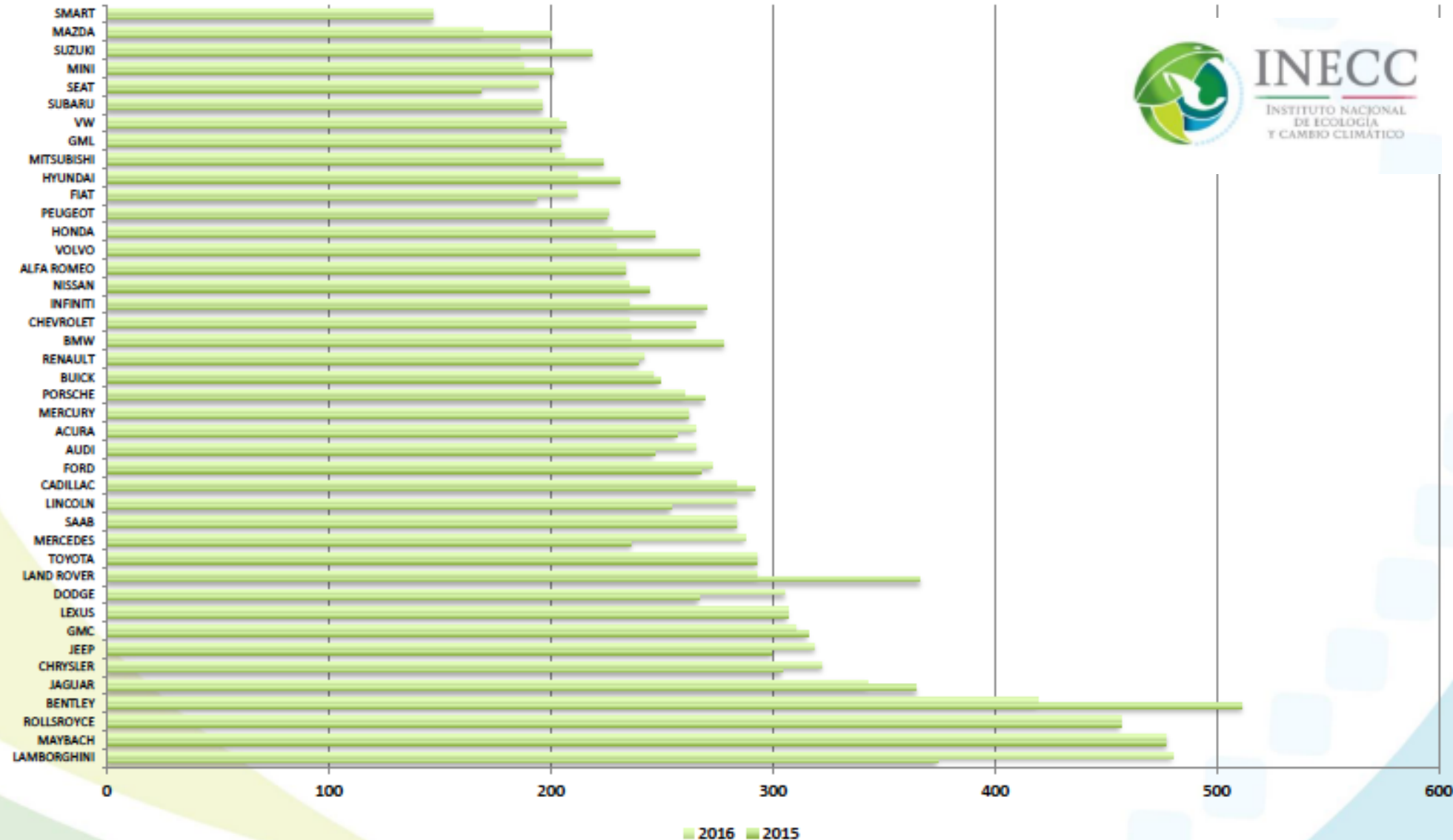
Examples:

1. Gasoline use in vehicles and emissions
2. Electricity generation, demand and emissions

1. Gasoline

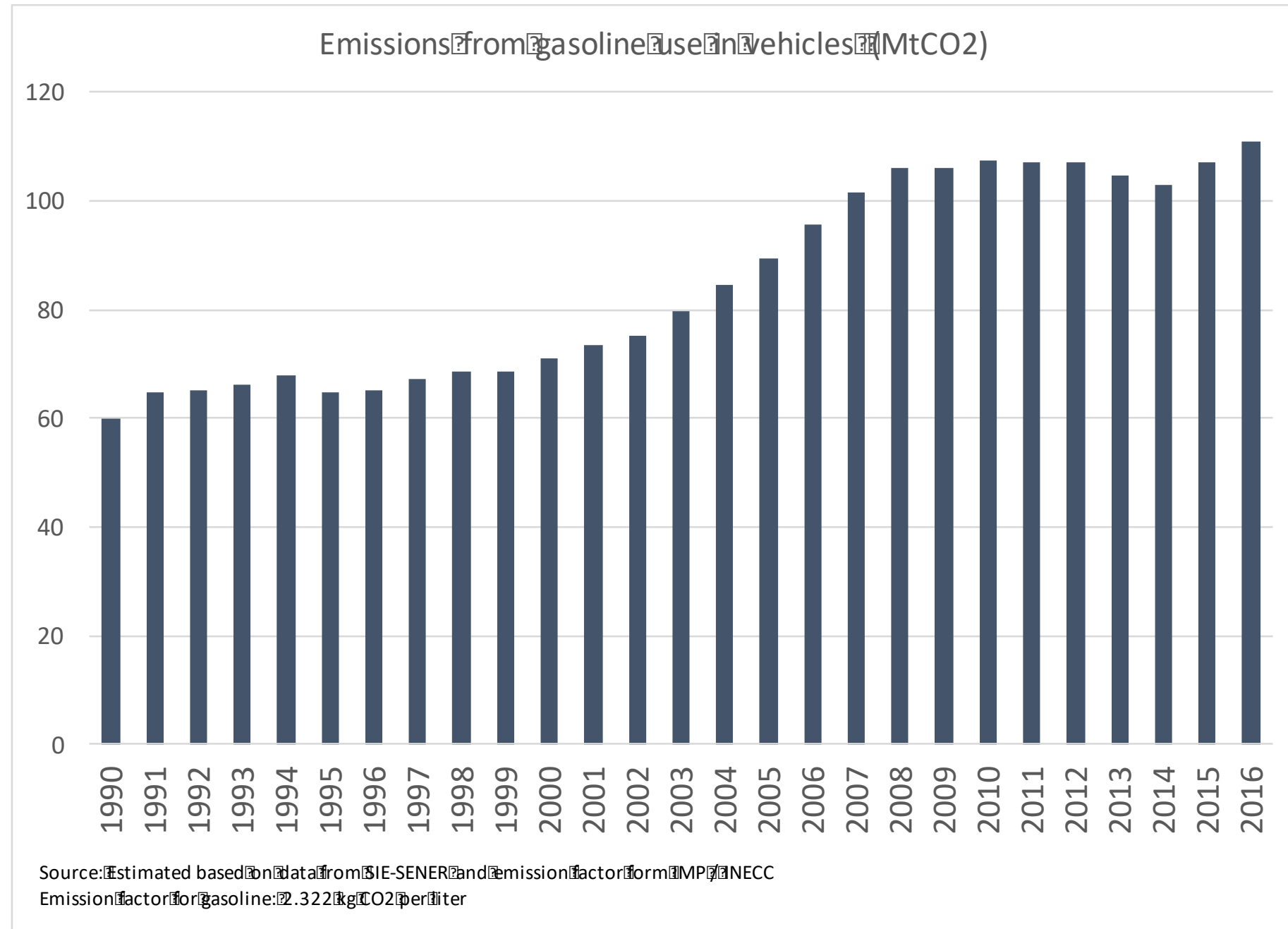
- Choose your vehicle
- Drive
- **Pay for fuel**
- Account for your emissions

Nivel de emisiones de CO₂ (g/km) de vehículos ligeros por marca vehicular, 2016



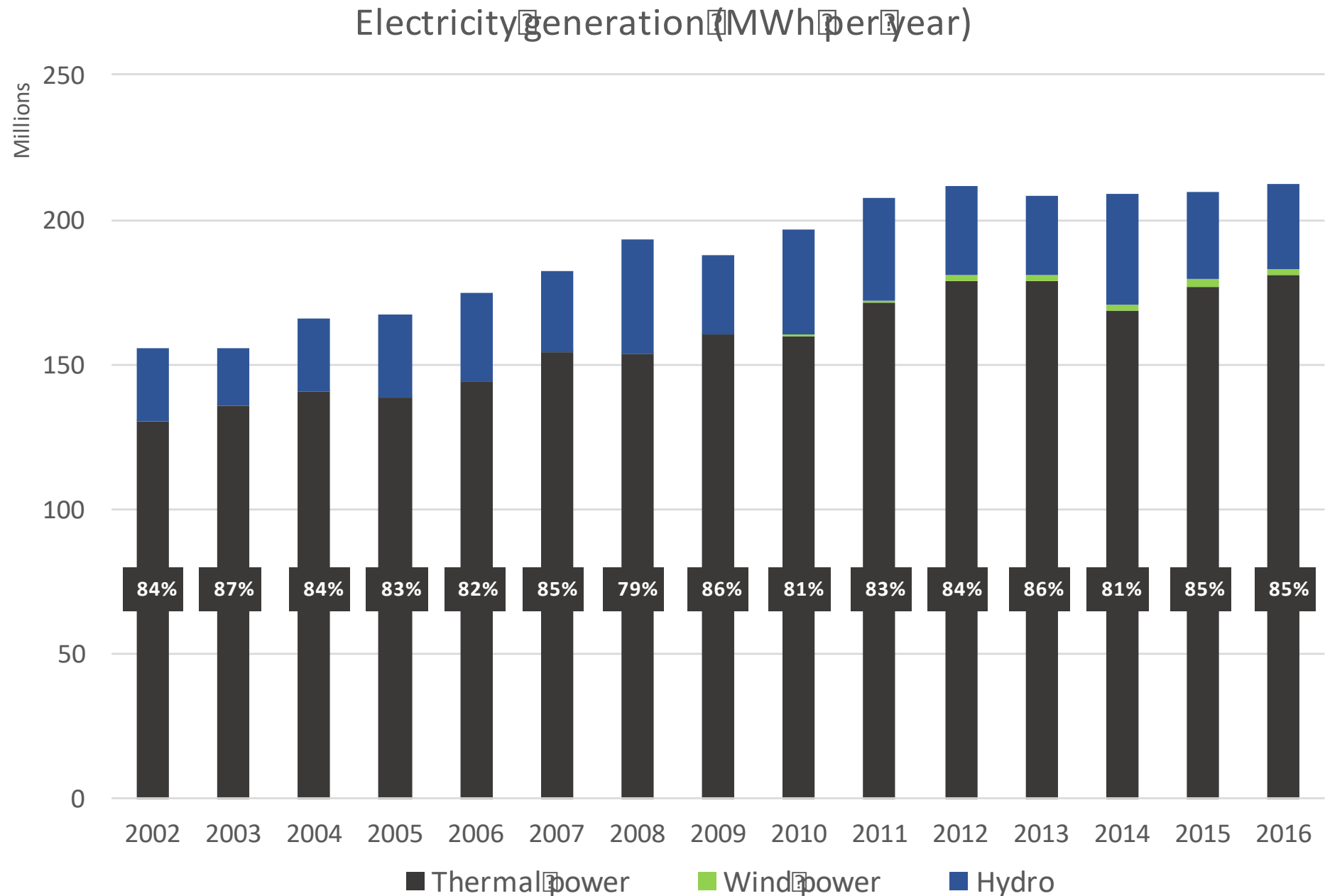
Fuente: Elaboración INECC con datos de [Ecovehículos](http://ecovehiculos.inecc.gob.mx)

- CO₂ emissions from gasoline consumption in vehicles.
- Does not include other fuels



2. Electricity

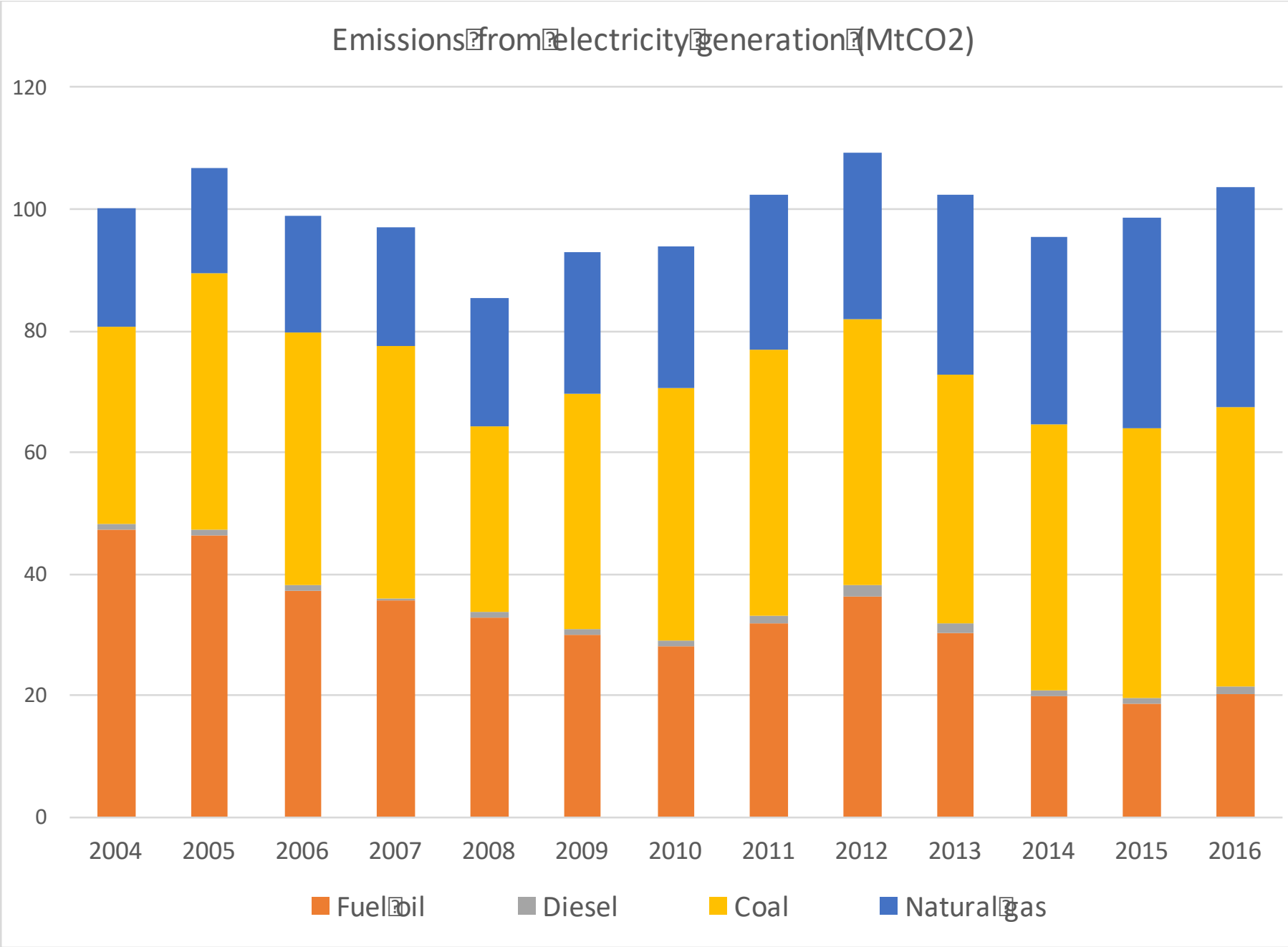
- Our generation matrix heavily relies on fossil fuels



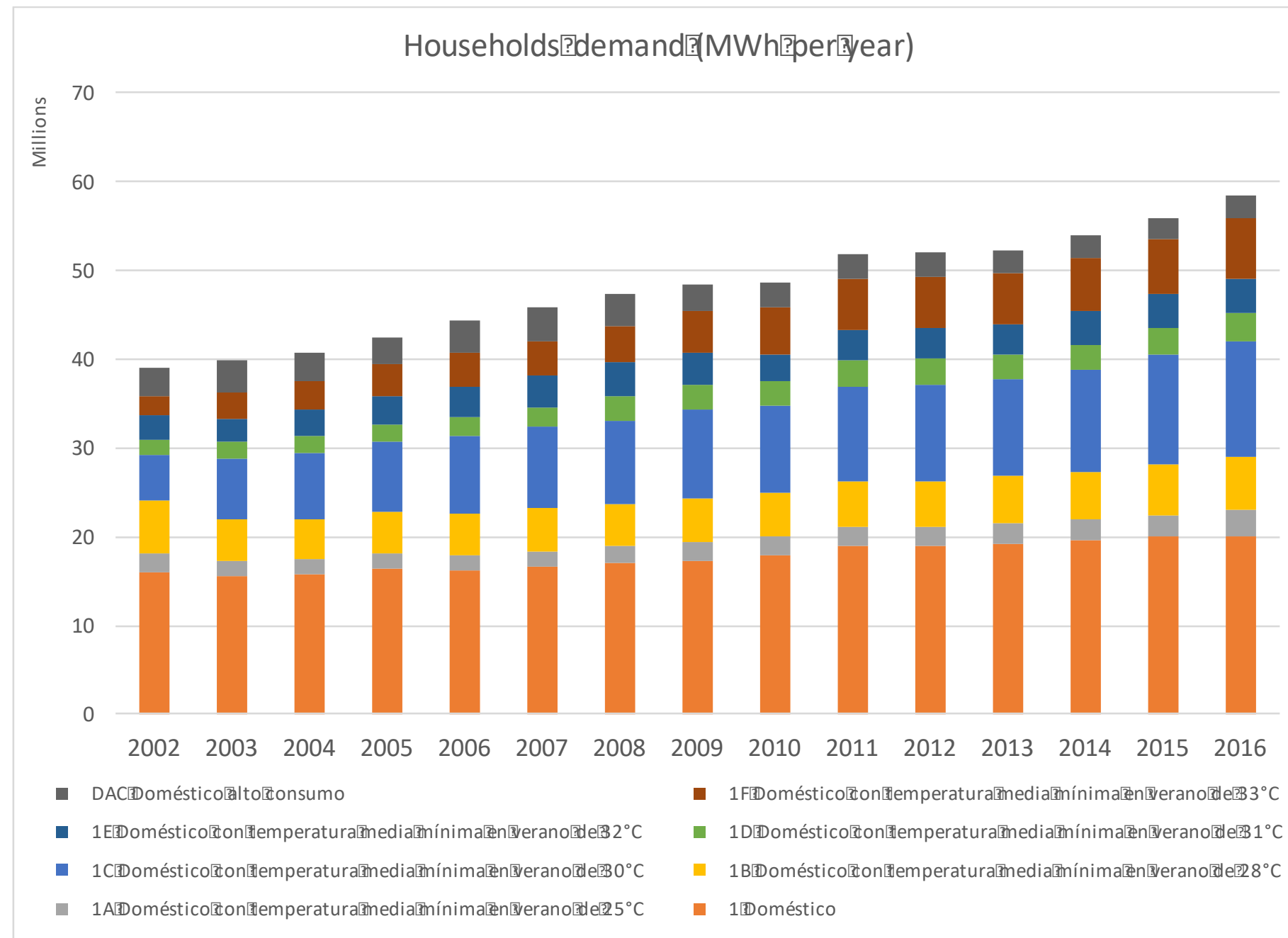
Source: SIE-SENER. Generación Bruta de Energía por Proceso

- Based on fuels consumed for electricity generation in thermal processes

Emission factors		
Fuel oil	3.097	kg CO2 / litro
Diesel	2.596	kg CO2 / litro
Coal	2.827	kg CO2 / kg
Natural gas	2.27	kg CO2 / m3
Source: IMP/ INECC. "Factores de emisión para los diferentes tipos de combustibles fósiles y alternativos que se consumen en México"		



- Households represent 23-25% of electricity demand per year
- 95% are subsidized



Nationally Determined Contribution (NDC): our targets

NON CONDITIONAL GHG TARGET:

- 211 Mton CO₂e
2020-2030

baseline				TARGET 2030	Δ_{GEI}
2013	2020	2025	2030		
665	792	888	973	762	-22%

- ✓ Emissions peak starting from 2026
- ✓ Reduction of emissions per GDP (intensity) by 40%

CONDITIONAL GHG TARGET:

- 350 Mton CO₂e
2020-2030

2013	2020	2025	2030	TARGET 2030	Δ_{GEI}
665	792	888	973	623	-36%

- ✓ Conditionality: “subject to a global agreement addressing important topics including international carbon price, carbon border adjustments, technical cooperation, access to low-cost financial resources and technology transfer, all at a scale commensurate to the challenge of global climate change”

Other related targets... completing the set of milestones

NATIONAL GHG TARGETS

Commitment made by Mexico for COP-15 in Copenhagen.

Ratified by Congress under the General Law for Climate Change (LGCC)

2020 30% **REDUCTION** below baseline

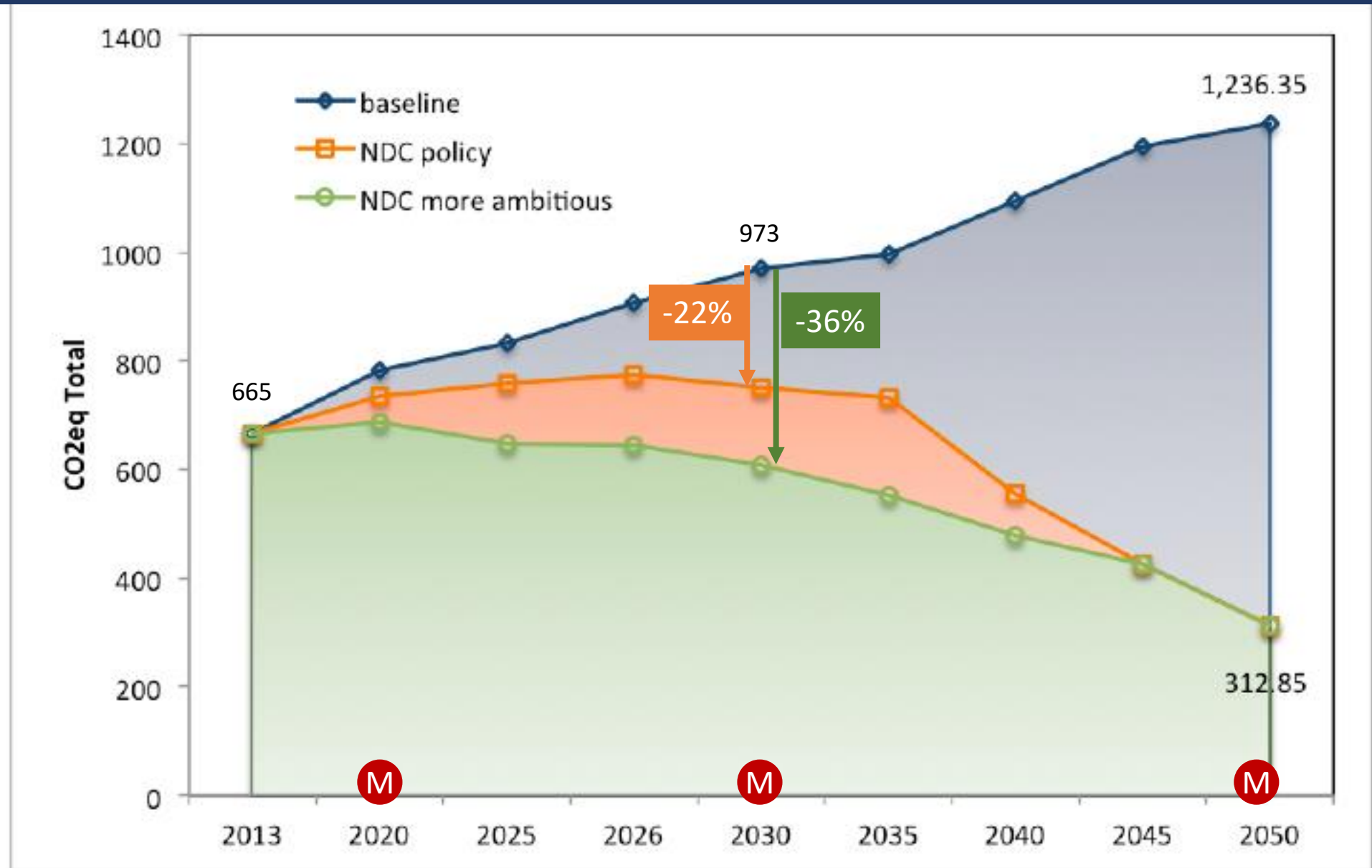
2050 50% **REDUCTION** below 2000 emissions

CLEAN ENERGY TARGET

Energy Transition Law

2024 35% Electricity generation from **CLEAN ENERGY SOURCES**

Potential emission pathways:



-22%

- 211 Mton CO₂e

-36%

- 350 Mton CO₂e

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