



Progress on Implementation for Mexico ETS Pilot Phase

From concept to
implementation

Climate Change Law (June 2012)

Art. 94.-

- **The Ministry of the Environment can implement a Voluntary Carbon Market**
- **Participation from the Interministerial Commission and the Climate Change Council**

Climate Change Law (June 2012)

Challenges:

- **Exploring options for implementing an ETS within the legal framework**
- **Capacity building**
- **Financing the project**
- **Facing opposition**

Achievements:

- **GHG reporting system (since 2014)**

Climate Change Law Amendments (July 2018)

Art. 94.-

- **The Ministry of the Environment shall implement an ETS**
- **Participation and consensus from the Interministerial Commission, the Climate Change Council and the Stakeholders representation**
- **Starting with a 3yr Pilot phase**

Climate Change Law Amendments

- Published on July 13th, 2018
- SEMARNAT shall implement and ETS
- 36 month pilot before “formal” phases
- No economic effects (impacts)
- No impact on competitiveness
- Regulation must be prepared for pilot phase

Climate Change Law Amendments (July 2018)

Challenges:

- **Discussion process prior to approval**
- **Stakeholder engagement and consensus**
- **Timing**

Achievements:

- **Having the law approved**
- **Stakeholder engagement and consensus**

ETS Regulation

- **SCOPE: Participant sectors**
- **Threshold for participation**
- **Gas coverage**
- **Compliance periods**
- **Participants obligations**
- **Flexibility mechanisms**
- **Annual verification**
- **To publish after main regulation: Decision on CAP, allocation plan, offsets and rules and guidance for ETS registry**

Drafting Regulation

Challenges:

- Little timeframe window
- Financing

Achivements:

- Working Group – Authority and Stakeholders: Finding common ground
- Recognition of ETS as the most feasible option for GHG mitigation for the industry
- International cooperation support

Designing process for the ETS

Pilot Phase

Analysis process

Subject	Consultants / Experts	Time	Supported by
Recommendations on accreditation	TÜV Rheinland	2016	Danish Cooperation
Verification Standards Proposal Drafts	TÜV Rheinland	2016	GIZ
Legal analysis on the regulatory framework	Vo. Bo. Asesores / MIT	2016-2017	GIZ
Data analysis (RENE 2014 - 2015)	DEHSt	2017	GIZ/DEHSt
Interoperability analysis for CEL and ETS	NREL	2016	USAID
Options for an Effective Carbon Pricing Policy Mix	MIT	2016-2017	GIZ
Legal advise on the ETS (technical implementation)	Vo. Bo. Asesores / MIT	Desde 2017	GIZ
Legal advise for the ETS regulation drafting	Vo. Bo. Asesores	Desde 2017	GIZ
ETS Simulation	MexiCO2 / EDF	2017-2018	PMR (World Bank)

Analysis process

Subject	Consultants / Experts	Time	Supported by
Recommendations for CAP Setting	Öko Institut	2017-2018	GIZ
Competitiveness Analysis	Vivid Economics	2017-2018	GIZ
Legal advice for GHG Reporting regulation amendments	Vo. Bo. Asesores / TÜV Rheinland	2017-2018	GIZ
Analysis on interactions between ETS and Clean Energy Certificate Scheme	Centre for Resource Solutions	2018	GIZ
Analysis on allocation options	Öko-Institut	2018	GIZ
Analysis on potential for blockchain technologies and ETS	Climate Ledger Initiative	2018	GIZ
Analysis on linkages between financial markets and ETS	Climate Focus	2018-2019	GIZ
ETS Simulation (Phase 2) (Planning process)	TBD	2019	PMR (World Bank)

ETS Working Group

- Meetings since March 2018 to discuss the technical elements of the Pilot Phase
- Proposals made in the group were analyzed and integrated in the regulation
- Sector oriented meeting to discuss baseline and reported data to RENE



¿Which sectors and gases should be covered?

For the ETS to be effective, it must be possible to monitor emissions with reasonable certainty at a reasonable cost.

An unreliable source of information does not provide certainty to:

- Authority (mitigation *¿real?*)
- Stakeholders (*¿1 ton CO₂ = 1 ton CO₂?*)

- Registro Nacional de Emisiones (RENE)
 - Data available from 2014
 - Verification for big emitters (over 1 MtCO₂e) for 2016
 - Verification for other emitters in process
 - Availability of activity data for analysis
 - **Point of regulation for ETS:** Reporting facilities (RENE)
 - Definition and limits of facilities already defined in other regulation

Reporting Sectors vs ETS Participants

SUBSECTORS

- a. Power generation
- b. Oil & gas

I. Energy



SUBSECTORS

- a. Aviation
- b. Railroads
- c. Maritime
- d. Road

II. Transport



SUBSECTORS

Chemical
Iron & Steel
Cement
Mining
etc

III. Industry



SUBSECTORS

- a. Food crops
- b. Livestock

IV. Agriculture



SUBSECTORS

- a. Wastewater
- b. Solid waste

V. Waste



SUBSECTORS

Commerce
Services
Government

VI. Commerce and services



GHG covered and type of emissions

Direct Emissions

- Indirect emissions not covered

GHG

Under the principle to keep the pilot simple, **ONLY CO₂** is covered

Emission sources

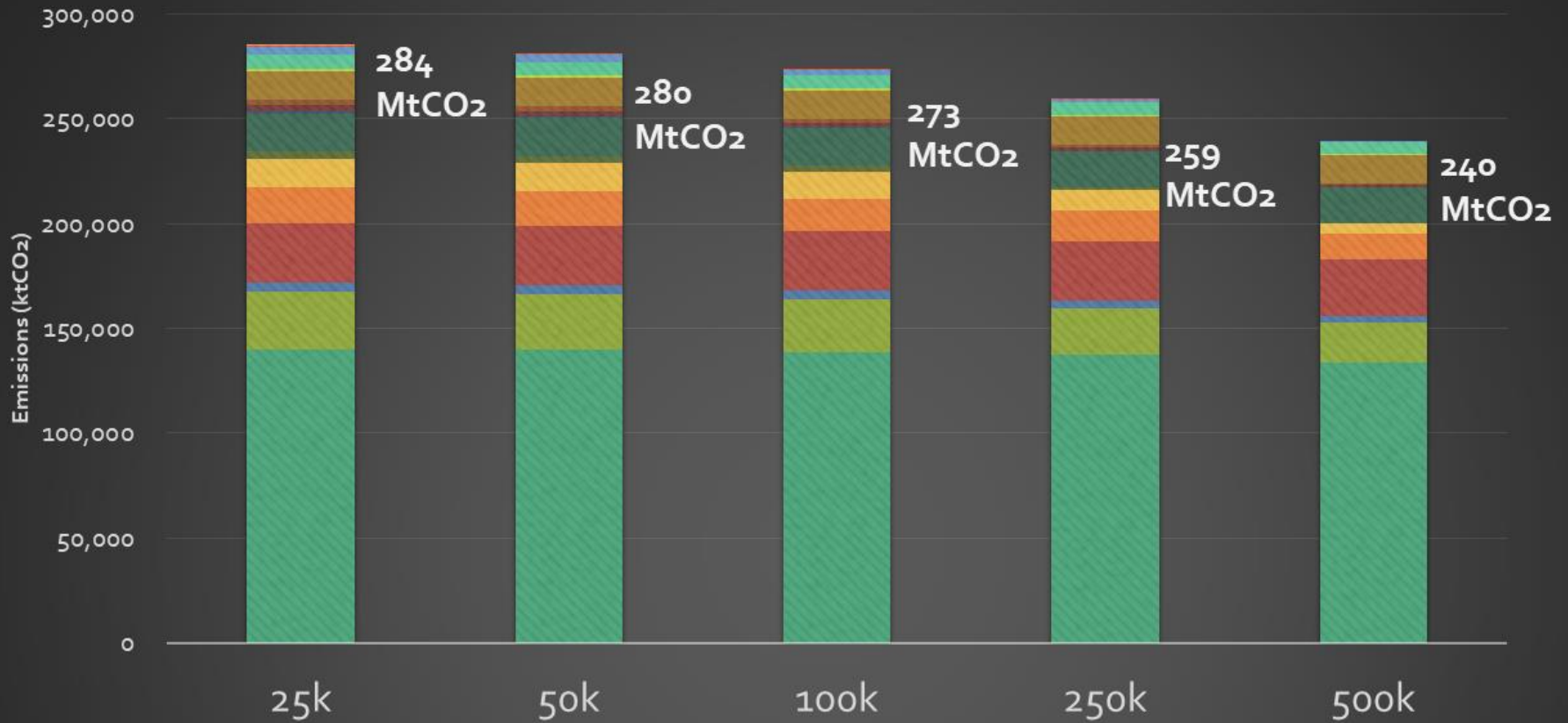
- CO₂ Emissions from **fossil fuel combustion** and from **industrial processes** (cement, iron and steel, lime, etc.)
- **Fugitive emissions** not included

Scope

Date (different thresholds)

	25k		50k		100k		250k		500k	
	Emissions 2016	Facilities	Emissions 2016	Facilities	Emissions 2016	Facilities	Emissions 2016	Facilities	Emissions 2016	Facilities
Energy										
Oil and Gas	27,317,133	93	26,832,000	77	25,248,874	50	22,395,474	26	18,724,565	14
Power generation	140,068,567	101	139,833,247	94	138,920,924	81	137,343,598	70	133,970,663	61
Total Energy	167,385,700	194	166,665,247	171	164,169,799	131	159,739,071	96	152,695,227	75
% Coverage Energy	100%	100%	100%	88%	98%	68%	95%	49%	91%	39%
Industry										
Automotive	4,291,449	19	4,044,425	12	3,790,222	8	3,790,222	8	2,942,618	4
Cement	28,373,430	29	28,373,430	29	28,373,430	29	28,248,852	28	27,222,620	25
Chemical Industry	17,093,941	45	16,763,138	35	15,624,021	20	14,314,657	12	12,206,101	5
Food and beverages	14,080,066	66	13,436,353	48	13,008,530	41	10,075,159	24	5,210,963	6
Glass	3,242,008	25	3,116,481	21	2,790,169	16	1,128,704	4	0	0
Iron and Steel	18,270,274	17	18,159,831	14	17,990,251	12	17,545,783	9	16,923,218	7
Lime	932,809	13	768,450	8	518,502	4	0	0	0	0
Metallurgical Industry	2,929,081	26	2,391,298	10	2,033,600	5	1,754,540	3	1,358,344	1
Mining	2,641,362	29	2,303,743	19	1,935,698	12	1,222,084	6	431,425	3
Oil Refining	13,545,502	6	13,545,502	6	13,545,502	6	13,545,502	6	13,545,502	6
Other	1,415,786	11	1,352,996	9	1,017,032	4	714,131	1	714,131	1
Petrochemical	6,244,808	8	6,201,514	7	6,058,638	5	6,058,638	5	5,821,873	4
Pulp and paper	3,835,103	39	3,310,788	24	2,556,519	13	1,010,025	3	721,049	1
Textile	473,089	3	448,018	2	448,018	2	295,248	1	0	0
Wood	85,817	2	0	0	0	0	0	0	0	0
Total Industry	117,454,525	338	114,215,968	244	109,690,133	177	99,703,545	110	87,097,842	63
% Coverage Industry	100%	100%	97%	72%	93%	52%	85%	33%	74%	19%
TOTAL GENERAL	284,840,225	532	280,881,215	415	273,859,932	308	259,442,616	206	239,793,069	138
% TOTAL COVERAGE	100%	100%	99%	78%	96%	58%	91%	39%	84%	26%

Emissions for different thresholds



Power generation

Oil & Gas

Car manufacturing

Cement

Chemical

Food and Beverages

Glass

Iron and Steel

Lime

Metallurgy

Mining

Oil Refining

Other manufacturing

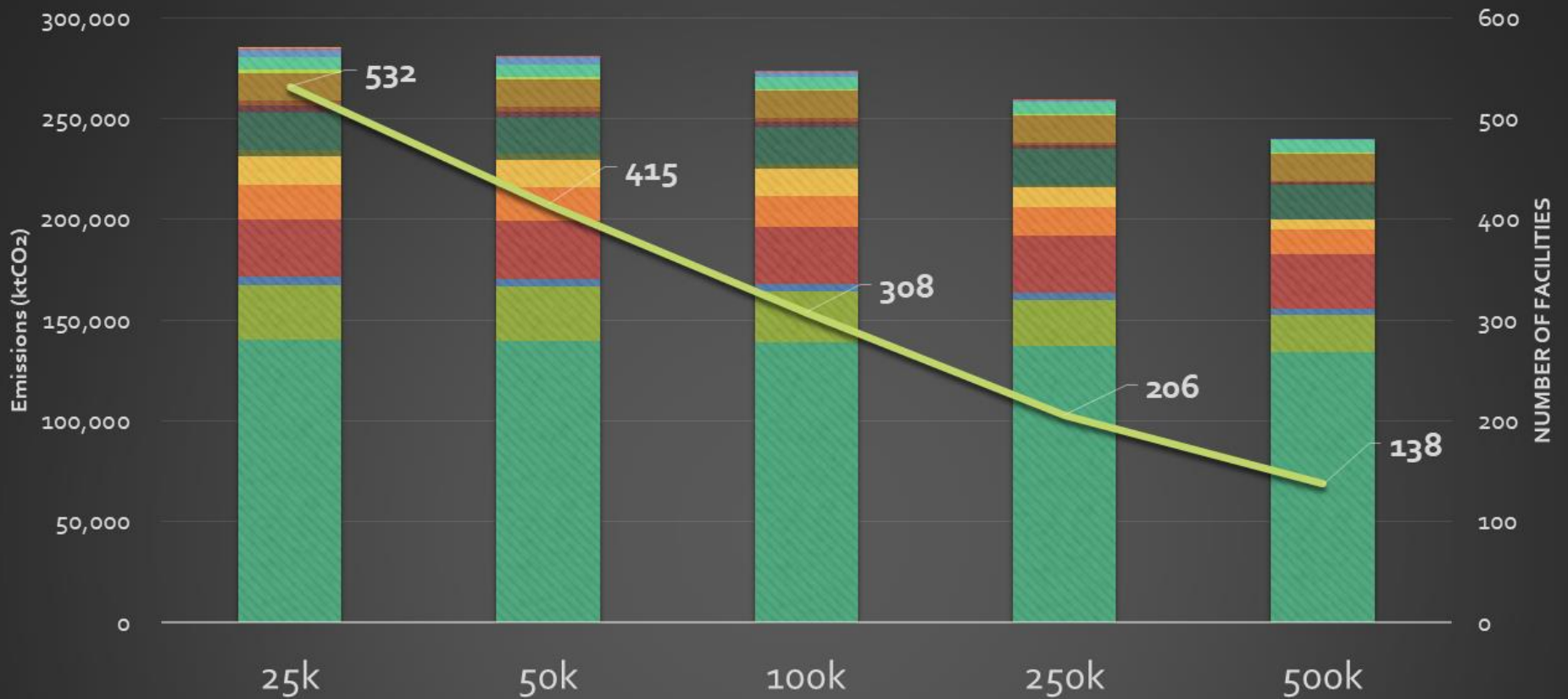
Petrochemical

Pulp and paper

Textile

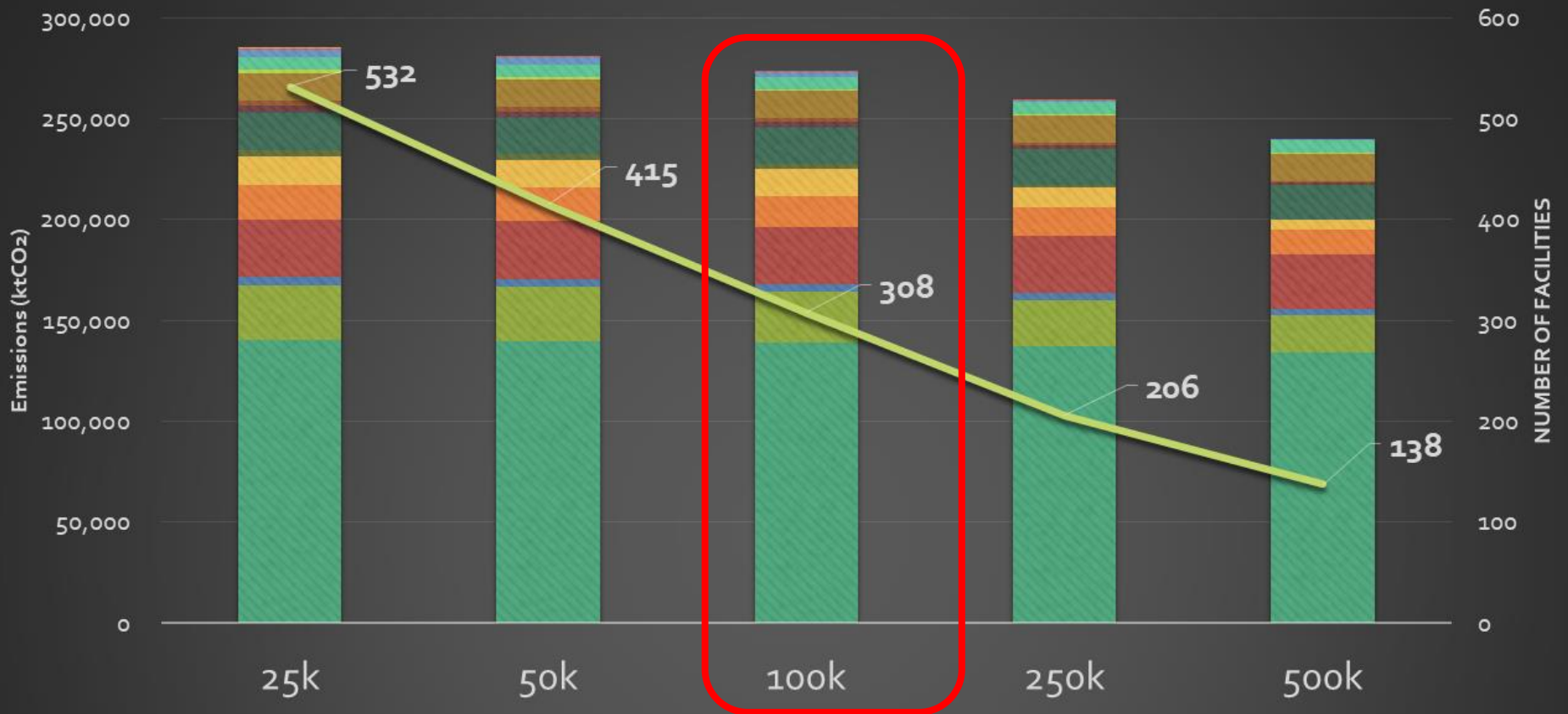
Wood

Emissions for different thresholds



- Power generation
- Oil & Gas
- Car manufacturing
- Cement
- Chemical
- Food and Beverages
- Glass
- Iron and Steel
- Lime
- Metallurgy
- Mining
- Oil Refining
- Other manufacturing
- Petrochemical
- Pulp and paper
- Textile
- Wood
- Series18

Emissions for different thresholds



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SEMARNAT

SECRETARÍA DE MEDIO AMBIENTE
Y RECURSOS NATURALES

Thank you

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