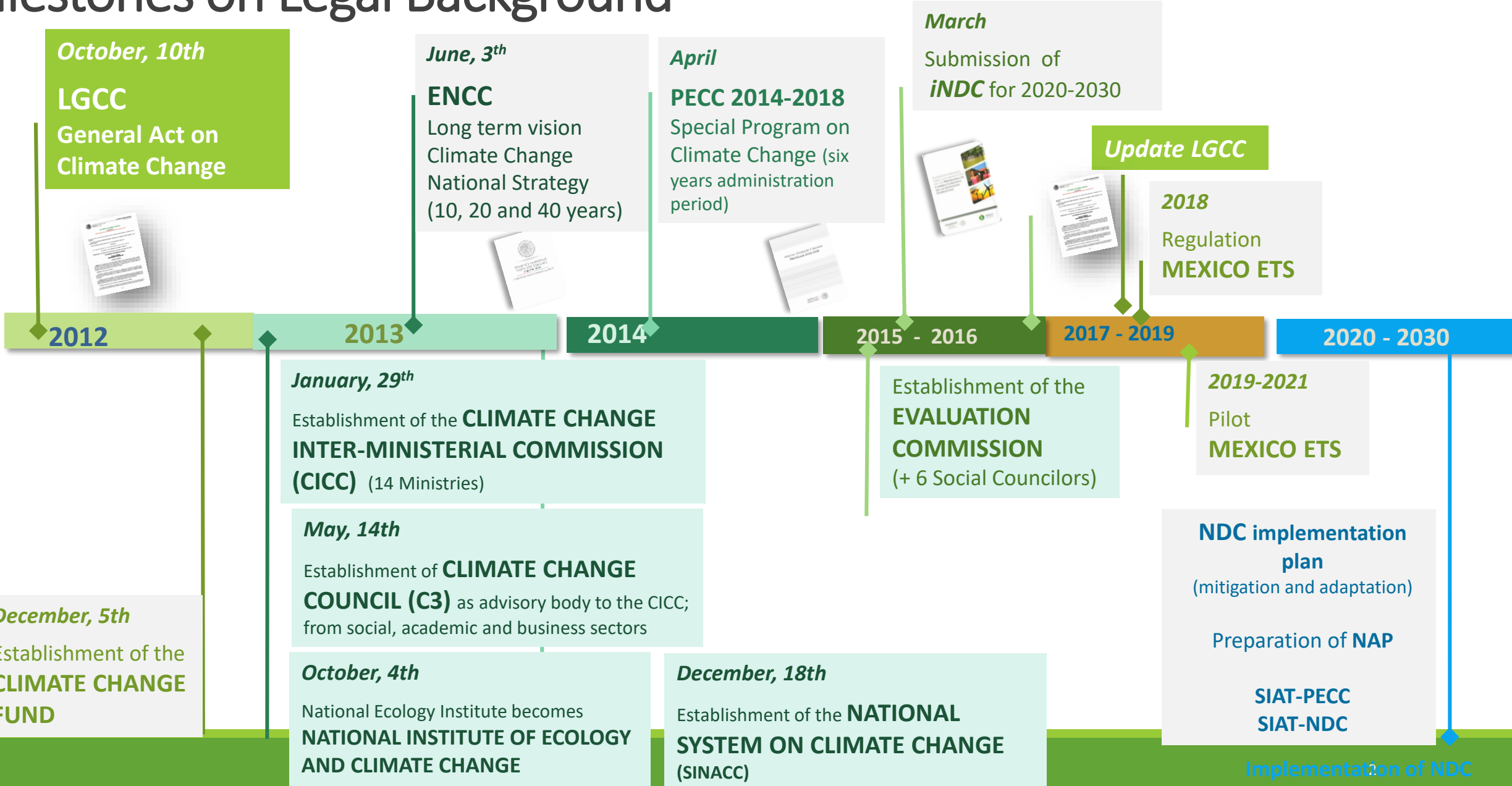


# Mexican Industrial Sector & ETS negotiation process

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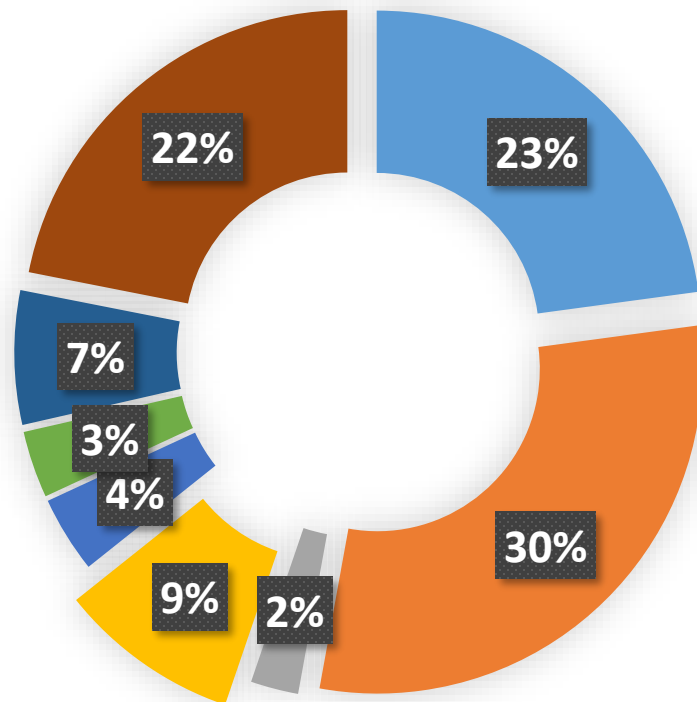
OCTOBER 17, 2018

# Milestones on Legal Background



# 2030 Targets: 211MTons CO2

## Meta por Sector



- Transporte
- Generación de electricidad
- Residencial y comercial
- Petróleo y gas
- Industria
- Agricultura y ganadería
- Residuos (sólidos urbanos y aguas residuales)

# Related Goals

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## **NATIONAL GHG TARGETS**

Commitment made 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

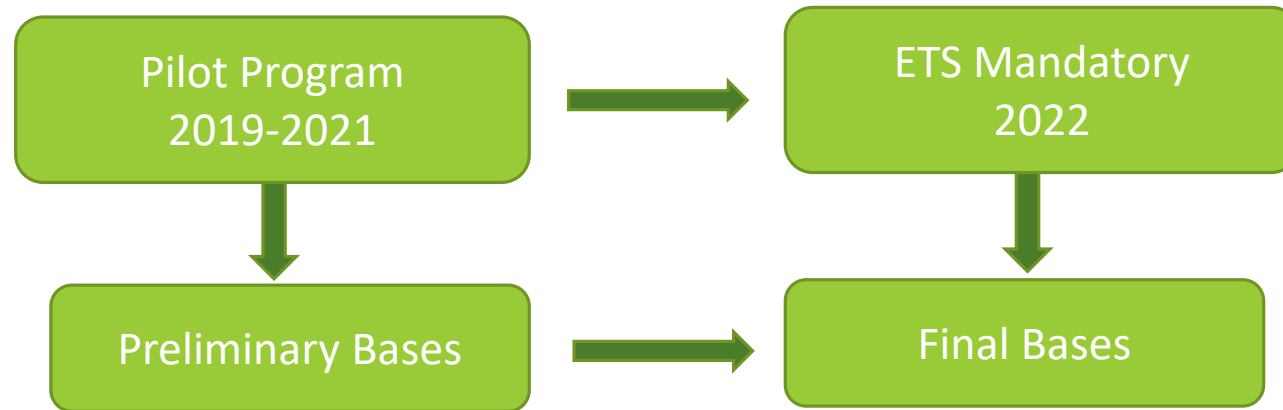
**2024** 35% Electricity generation from **CLEAN ENERGY**  
**SOURCES**

# Carbon Market Pilot Exercise

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- 2018 Amendments to the Climate Change General Law : ratifying Paris Accord and making it mandatory for SEMARNAT to create an ETS

2 Phases for the development and operation of an ETS:



- Preliminary Bases:

36 month Pilot Program without economical effects for participants.

# Benchmark with other ETS

## EUROPA: 8 años. Etapa Prueba: 3



## CALIFORNIA: 7 años. Definición reglas: 4



## MÉXICO – Propuesta en curso: 6 años Que incluye 3 años de programa de prueba

La Cámara de Diputados aprobó que la fase de pruebas del mercado durara 3 años (36 meses). (2018-2021) para poder afinar las reglas definitivas.



# Launching of Carbon Market Pilot Exercise



# Pilot Program Working Group

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Creation of a Work Group guaranteeing Stakeholder Engagement in order to prepare Preliminary Bases that would operate the ETS Pilot Program



Comisión de Estudios del Sector Privado  
para el Desarrollo Sustentable



# Industry's Focal Points on Mexican ETS

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- I. Gradual development of ETS (initially limited to CO<sub>2</sub>)
- II. Assignment of free allowances to participant sectors during pilot stage
- III. Authority's sound intervention on Pricing
- IV. Balance between Carbon Tax and ETS
- V. Offset for in-house projects;
- VI. Border Adjustments to avoid Carbon Leakage;
- VII. Verification processes should meet existing international protocols that have proven assurance to actors in carbon market

# Industry's Focal Points on Mexican ETS

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- I. Local governance, no third-party interference
- II. Avoid duplicating reduction measures (ETS *vis-a-vis* taxation)
- III. Avoid overregulation
- IV. Avoid bureaucratic burdens
- V. Strengthen ETS government team & capability
- VI. Provide legal assurance for market actors throughout all ETS stages
- VII. Permanent Working Group or Advisory Committee with Industry, assure dialogue with relevant government agencies (SHCP, ECONOMÍA, SEMARNAT, SENER, etc.)
- VIII. Pursue partnership opportunities with existing ETS when clear benefits are identified