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The renewable energy sector in Mexico has been experiencing growth and investment opportunities in the past decades, although it has slowed down in these past five years due to different factors, mainly due to the hurdles that arose during and after the covid-19 pandemic, global and regional geopolitics, and a change in the renewables energy sector policy in Mexico.

Mexico has set ambitious targets for renewable energy capacity expansion for 35 per cent clean energy by 2024 in line with its international commitments to combat climate change, as well as consistent with its local laws, which include the General Climate Change Law and the Energy Transition Law. However, the sector continues to face some challenges related to regulatory uncertainties and changes in energy policy.

Since December 2018, when the President Andr?s Manuel L?pez Obrador took possession as President of Mexico, he has vigorously tried to unwind the M?xico?s 2013 Energy Reform, which - among others - deregulated and opened the power sector permitting private corporations to participate on its value and supply chain (ie, generation, supply and commercialisation) except for the transmission and distribution of power. His attempts in doing so have been echoed since then.

Nevertheless, there are numerous opportunities for a clean energy transition in Mexico, if we focus on the vast and renewable natural resources our country has. Mexico boasts abundant sunlight, making solar power a promising opportunity for investors. Coastal and hilly regions offer strong wind resources, attracting investment in wind farms. Mexico has untapped hydropower potential, especially in southern regions. Geothermal sources are prevalent in Mexico, providing opportunities for clean energy generation. There are also many other opportunities to invest in energy storage solutions to stabilise renewable energy grids, as well as new technology, such as green hydrogen and green gas.

However, the sector also faces challenges and threats that must be addressed to continue the path to a cleaner, secure and sustainable energy transition.

It is important to distinguish between the different types of local, regional and global threats that could hinder the sustainable energy transition in a country.

In Mexico, there has been a gridlock in the investment and development of new mid/large scale renewable and clean energy projects by the private sector throughout the country. Companies (developers and off-takers) are looking for "inside the fence" alternatives to attend their energy requirements (mainly renewable and clean

energy to be consistent with their sustainability goals). Another key factor for the development of inside the fence projects is to avoid and mitigate the congestion risks associated with the lack of transmission infrastructure.

There is an important demand by off-takers for clean and renewable energy power projects through the wholesale electricity market (WEM) and not enough being offered. Administrative procedures, permits and interconnection processes are slowly being reactivated by energy regulators, mainly by the Energy Regulatory Commission (CRE) to attend such demand in the WEM with private power plants, mainly clean and renewable energy. New clean energy power plants will allow to attend the demand of clean energy certificates (CELs), which are currently highly in demand from private off-takers.

There are other threats that we have identified that must be addressed to accelerate a sustainable energy transition. For instance, ensuring a reliable and non-discriminatory integration of renewables into the existing energy grid, attracting adequate investment and financing for clean energy projects in the country, and ensuring a competitive market with the inclusion of private local and international players.

For the development of new energy projects, the inclusion of a well thought-out ESG strategy is increasingly relevant for the success and long run of the project. Community engagement, water rights, clean energy, anti-corruption and labour standards demand pay special attention. To strictly comply with the applicable laws for the development of projects (especially environmental and social requirements) is not enough, a real and comprehensive engagement with the communities is now required to obtain measurable benefits that empower such local communities and protect the environment.

Private companies (developers and consumers) are looking to move forward and boost transition to sustainable alternatives. Renewable energy, green gas, biogas, green hydrogen, will pave the way towards the sustainable requirements that the private sector now demands.

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Web: https://www.kary.com.pl/contact-us/
Email: energystorage2000@gmail.com
WhatsApp: 8613816583346