**Written by:**
Mark Beresford

Q&A MEXICO POLITICAL RISK & MACRO ELECTRIC POWER OIL & GAS

# As Mexico energy reforms come into force, global companies prepare to move in

Published : 03/18/2025

Natural Gas Generation Public-private partnership (PPP) Onshore Wind Transmission System Operator Photovoltaic Gas pipelines Electric Power Distributor Biomass LNG Midstream Company Legislation & Regulation Energy Storage Geothermal Transmission Transmission Lines Combined cycle Clean Energy Transition

*A new dawn is breaking for investors in Mexico's energy industry following sweeping legislative reforms that President Claudia Sheinbaum signed into law on Tuesday.*

*After the protectionism and hostility to private investment shown by the previous administration of her mentor Andrés Manuel López Obrador (AMLO), who left office in October, Sheinbaum's reforms provide new opportunities for the private sector to invest in the Mexican energy market.*

*At the same time as strengthening the role of state power company CFE and centralizing control of the electricity sector, the reforms aim to unlock billions of dollars of private investment in wind and solar plants and in areas such as energy storage and geothermal generation.*

*BNamericas discusses the impact of the reforms with energy specialist Pedro Niembro, senior director of business advisory firm Monarch Strategies in Mexico City and a former director general at the energy ministry. The interview was carried out by email.*

**BNamericas:** Do you think Mexico's new electricity law will attract increased private sector investment? Why?

**Niembro:** Undoubtedly. We are already seeing major interest from global companies eager to capitalize on opportunities that were stalled due to the previous administration's undue meddling in the sector through permitting delays. In 2018, Mexico had a private renewable energy project pipeline valued at approximately US$40bn, and many of those projects are now poised to move forward.

The Sheinbaum administration has recognized two critical issues that have influenced its decision to depart from past policies. First, Mexico's electricity sector has failed to keep up with rising demand, significantly impacting industrial and tourism growth. Over the past four years, the grid has operated dangerously close to, or even below, safe reserve margins, especially during the hot season, which keeps arriving earlier each year. Second, CFE alone cannot keep up with the required level of investment, so private investments will not only be welcomed but also strongly supported.

The expected US$6.4bn in investments may seem dwarfed by the US$40bn projected before the AMLO administration, but there is a simple explanation. By centralizing the planning of the electricity system under energy ministry Sener and grid operator Cenace, the administration will ensure that these projects have a greater chance of being materialized.

The industry's project survival expectation hovers around 20-30%, so those that are aligned with the needs of the system have a much greater chance of being built, and those that don't align today will have their opportunity as the country's needs evolve. In that sense, the centralized planning created by the new electricity law will provide a strategic vision to private investors to keep development costs under control and reduce exposure by informing pipeline priority buildup.

In addition, Mexico is a large market with a diversified economy and geographical advantages. It neighbors the largest global consumer of goods and has untapped potential to become a bridge between Asia and Europe. There is a reason why many manufacturing and industrial companies choose Mexico as a destination for their investments. Nowadays, the waters may seem murky, but at the end of the day, Mexico will continue to be a major destination for productive investments.

**BNamericas:** CFE will enjoy prevalence and a guaranteed generation market share of 54%, and the independent regulator CRE is being abolished. How can foreign energy companies be sure they will enjoy a level playing field in Mexico?

**Niembro:** The question regarding CFE's prevalence is, without doubt, a sensitive one because it hasn't been clearly communicated by the government, and companies are concerned that their generation may potentially be curtailed in favor of CFE, without consideration of economic merit-based dispatch. In reality, as key decision-makers have explained to us, the centralized planning of the system will consider those regions where CFE's generation falls short of the 54-46% market share, to add more capacity where needed over time. Economic merit dispatch will continue to be applied across the system, with some special exceptions considered under the law, specifically regarding the heat component of cogeneration and grid reliability.

CRE in fact was abolished but a new regulator, the Comisión Nacional de Energía (CNE), will replace it. This agency will support Sener’s electricity planning tasks, set electric and wheeling tariffs, and grant generation permits, among other responsibilities. Its decisions will be made by a technical committee of eight members, with five from Sener and three independent 'technical experts'.

This raises legitimate concerns about its impartiality and transparency, which is an area that requires attention. Despite these concerns, we remain optimistic that the agency will improve upon the conditions that prevailed under the previous administration, given the spirit that has guided the creation of the new energy legislation. It may not be ideal, but it is the political compromise the Sheinbaum administration could make to distance itself from her predecessor's energy policies at this time.

**BNamericas:** In which parts of the electricity sector do you expect to see the greatest levels of private investment, and why?

**Niembro:** We believe that renewable and clean generation, along with industrial self-supply, will see money pouring in, especially in the early stages of the new Mexican electricity market.

Trends will evolve as the depth of the changes is better understood. The list of opportunities for private investors is long, ranging from independent energy storage companies, gas logistics, LNG [liquefied natural gas], electric vehicle charging stations and energy services, to often overlooked generation technologies with great potential, such as geothermal and biomass. All these sectors will receive large investments in the short and mid-term, looking to obtain healthy returns. There will also be excellent opportunities for companies seeking to partner with CFE to develop emerging technologies such as hydrogen or help the state-owned company strengthen its aging transmission and distribution infrastructure.

**BNamericas:** Do you think private investors will be happy to take 46% holdings in mixed projects with CFE?

**Niembro:** Absolutely. Based on the conversations we're having with sector leaders that are actively looking to partner with CFE, we believe there is a very healthy appetite to explore potential synergies with the state-owned company as a way to share risks and reduce exposure for companies with large development pipelines, but it's not limited to that. The legal prevalence of CFE may be perceived as an additional security blanket for investors unfamiliar with the Mexican energy ecosystem that may want to test the waters before diving in.

It is important to mention that, aside from the mixed project model, companies that can identify a weakness in CFE's business model and propose actionable solutions will draw significant attention, with successful precedents even from the previous administration. Topics such as LNG, logistics and transportation, and industrial energy storage should be on the table. Opportunities to establish partnerships outside the 54-46% mixed project model, which focuses only on generation, can be negotiated more favorably simply because the new law failed to take them into account, leaving the door open for creative approaches.

**BNamericas:** What do you think are the main risks to private sector investors in the Mexican energy sector?

**Niembro:** Mexico has a complex history in energy, particularly within the oil and gas sector, where a historic nationalistic approach to oil continues to be strongly embraced by a significant portion of the population. This view permeated from hydrocarbons into electricity during the previous administration, which took an ultra-protectionist stance on energy. It also explains why the Sheinbaum administration was able to navigate a new power framework much more easily than in the oil and gas sector. In contrast, the hydrocarbons law limits opportunities to partnerships with [federal oil company] Pemex.

We believe the regulatory unpredictability that began six years ago has largely been addressed by the new electricity legislation in the sense that it marks a return to the market conditions created by the 2013 energy reform and, in many ways, improves upon it. On the other hand, the control that Sener will exert over the CNE fails to provide the transparency and impartiality needed for a robust and level playing field. Whether this issue will be clarified in subsequent regulations remains to be seen, but there's no doubt that the architects of the new electricity law understood the need to provide a threshold of certainty for potential investors.

A major risk we identify comes from external factors, particularly the shifting winds of global trade. There is a real possibility that Mexico could enter an economic downturn if trade is disrupted by US tariffs on Canada and Mexico, which eventually may cause a fall in power demand. That said, the Sheinbaum administration has announced plans to substitute fossil fuel generation with clean sources and has acknowledged the country's dependence on gas imports from Texas for power. In response, it is taking the necessary steps to reduce this exposure through renewable generation.

**BNamericas:** CFE has a monopoly on transmission. What sort of opportunities do you think there will be for public-private partnerships in this area?

**Niembro:** While CFE holds a monopoly on transmission and distribution, there are still numerous opportunities for private investors. CFE faces a complicated financial situation that often forces it to focus on urgent matters rather than investing in long-term priorities. During the previous administration, a political decision was made to build as much generation as possible, which led to the neglect of necessary maintenance and the expansion or modernization of transmission and distribution infrastructure. As a result, the grid is currently struggling to accommodate additional capacity, especially from intermittent energy sources.

The Sheinbaum administration has announced new transmission projects worth about US$2.3bn, which is insufficient to elevate the grid's transportation capacity or integrate renewable sources effectively, especially as both CFE and new private generation capacity becomes available.

The conditions are set to create opportunities to explore public-private partnerships under different modalities to, for once, address the important needs of the system, even while urgent matters require attention. These opportunities include not only expanding transmission lines but also developing standalone energy storage systems that can help manage frequency variations and line saturation, and offer other ancillary services that will now be recognized. Companies with emerging technologies and an out-of-the-box approach to transmission problems, along with alternative financing models, are well-positioned to capitalize on these opportunities.


## Related news (5)

[Sheinbaum signs far-reaching Mexican energy reforms into law]
Published an hour ago

[Mexican energy storage regulations aim to accelerate renewables drive]
Published a day ago

[Over USD 900 million mobilized to accelerate the clean energy transition at the 2025 SEforALL Global Forum]
Published a day ago

[Mexico's legal framework for mining to be clarified by mid-year]
Published 4 days ago

[US oil industry slams Mexico's energy policy, calls for trade dispute escalation]
Published 4 days ago

## Related reports (5)

[Latin America's Pipeline Boom: Vaca Muerta and LNG Set the Pace]
Published 18 hours ago

[January Political Risk Report]
Published 2 months ago

[Charging Ahead: Bridging the Clean Energy Gap with Storage]
Published 2 months ago

[The Infrastructure of Nearshoring]
Published 2 months ago