



## Electricity in Mexico

### Unlocking Mexico's Electricity Market: Opportunities for Foreign Investment

March 2025

**A**fter years of uncertainty following the historic 2013 constitutional reform, Mexico's electricity sector is poised to undergo yet another transformation, creating new and attractive opportunities for Canadian and other foreign businesses and investors. Indeed, despite the climate of profound uncertainty caused by the emerging trade war launched by the Trump Administration with Mexico and Canada (and others), the Mexican energy sector remains one of the few bright spots for foreign direct investment in Mexico.

A comprehensive package of new energy-related laws was approved in the Mexican Senate without amendment on February 26, 2025, 19 days after being introduced by President Claudia Sheinbaum, and passed formally to the Chamber of Deputies on March 3. Assuming passage in the lower house, the new laws will be published in the *Diario Oficial de la Federación*. While the legislative process must be concluded by the end of the congressional session on April 30, 2025, its rapid progress suggests it may be finalized much sooner, perhaps announced by President Sheinbaum as early as March 18. Companies that move quickly will be best positioned to take advantage of emerging opportunities in the sector.

The Law on the Electricity Sector (*Ley del Sector Eléctrico* - LESE), one of the key new energy-related laws, actively promotes private sector involvement and encourages foreign investment and partnerships. The new regulatory landscape under LESE would allow private participation in power generation and the marketing of electricity, while maintaining state control over strategic infrastructure. For Canadian and other foreign

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companies with expertise in power generation, renewables, and grid modernization, now is the time to either explore, revisit or consider expansion in this dynamic and evolving market.

## Why Mexico? Why Now?

With market conditions aligning, this is a pivotal moment for foreign companies to explore opportunities in Mexico's electricity sector:

- **Strong Investment Pipeline** – The Mexican government anticipates over **US\$6.4 billion** in private investment in electricity generation, with a particular focus on **renewables and clean energy projects**.
- **Growing Demand** – With increasing industrialization, expansion of manufacturing and urbanization, Mexico's energy demand is surging, exerting pressure on the existing national grid and electricity supply, in turn making availability of electricity an immediate and top political priority for the Mexican Government. This creates opportunities for both large-scale and distributed generation projects.
- **Favorable Regulatory Clarity** – LESE would introduce a structured framework that defines private sector participation models, reducing uncertainty for investors.
- **Strategic Partnerships** – The state-owned Federal Electricity Commission (CFE) would continue to dominate the sector but is expected to seek **private-sector collaboration** to modernize and expand Mexico's power grid.
- **Competitive Edge** – Global leaders in renewable energy, energy storage, and power transmission are well-positioned to partner with Mexico in achieving its energy transition goals.

## Key Areas of Opportunity for Foreign Companies

LESE opens several areas in which foreign firms could establish themselves:

**1. Distributed Generation** – Projects up to 0.7 MW would require no permits, offering a streamlined entry point for private investors. This would be an opportunity for companies specializing in solar and localized energy solutions.

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**2. Self-Supply Projects** – No capacity limits mean private entities could generate electricity for internal use, with or without connection to the national grid, creating flexibility for industrial operators.

**3. Cogeneration and Energy Efficiency** – Cogeneration remains an attractive area for investment, especially for industrial players seeking to optimize energy use by generating electricity and useful heat simultaneously. While subject to evolving regulations, cogeneration projects could offer opportunities for private-sector collaboration in energy-intensive industries such as manufacturing, mining, and large-scale commercial operations.

**4. Wholesale Electricity Market (MEM)** – Private companies could participate in energy trading, starting at 0.7 MW, with no upper capacity restrictions.

**5. Long-Term Power Contracts with CFE** – The government is expected to offer long-term sales agreements for private generators, ensuring revenue stability and reducing investment risks.

**6. Public-Private Partnerships (PPPs) in Transmission, Distribution, and Storage** – CFE has limited financial resources but aims to invest US\$25 Billion through its **System Expansion Program**. This could open the door for strategic partnerships with experienced international players.

## Navigating the Market: What Foreign Companies Should Consider

While LESE would create a more transparent business environment, foreign companies should take a strategic approach to entering the market. Key considerations include:

- **Government Oversight** – The Ministry of Energy (SENER) and the newly formed **National Energy Commission (CNE)** would regulate permitting and market structure, requiring due diligence on evolving regulations.
- **Partnership Models** – Joint ventures with CFE would require a minimum 54% government participation, so structuring agreements effectively is critical.
- **Regulatory Stability** – The Sheinbaum Administration's commitment to renewables signals a stable outlook, but investors should remain informed on political and regulatory developments.

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Monarch Global Strategies LLC and Privus Capital Inc. provide strategic guidance and regulatory insights to companies pursuing investment opportunities in Mexico, including but not limited to the electricity sector. With deep expertise in market entry and investment strategy, we help businesses understand Mexican business culture, navigate policy and regulations and establish the right partnerships for sustained growth.

For more information or to discuss potential opportunities, please contact:

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