



Monthly Report on Mexican Politics, the Economy, Energy, and U.S.-Mexico Relations

December 2025



Executive Summary

Mexico was mired in protests during the second half of November, including a large march against violence and crime and farmers blocking highways in opposition to a new water law that increases government control over this resource. At the same time, the ruling party split between the radical left and more pragmatic politicians became evident in the Supreme Court, clearly shaping its recent actions. In this context, President Sheinbaum finally flexed her political muscle and made her first cabinet change, replacing her inherited and problematic attorney general with a capable loyalist, Ernestina Godoy. The government also kept up its attacks on the businessman and budding politician Ricardo Salinas Pliego, apparently seeing him as a real political threat.

In the economy, the Business Coordinating Council (CCE) selected a new leader, José Medina Mora, who promises to be more independent and likely critical of the government. At the same time, Sheinbaum announced a 13% increase in the minimum wage and the gradual reduction of the workweek from 48 hours to 40 hours by 2030, despite their likely negative impact on Mexico’s already weak private investment and anemic growth.

President Sheinbaum also made her first trip to Washington, D.C., to attend the draw determining the groups for the upcoming World Cup. Meanwhile, President Trump again threw cold water on the USMCA review, and his commerce secretary laid out the administration’s tariff strategy should the Supreme Court declare its IEEPA tariff strategy unconstitutional. The future of U.S.-Mexico trade, it seems, will no longer be “free.”

Protesting Crime and Violence

On November 15, in the wake of the murder of Uruapan Mayor Carlos Manzo, Mexicans took to the streets throughout the country to protest crime and violence. They did so alongside regime opponents who helped promote the march and demanded the president’s resignation. Claudia Sheinbaum responded with a flawed communication strategy that caused her to lose control of the national narrative for the first time in her presidency.

Rather than lead with a recognition of the insecurity most Mexicans feel in their daily lives and empathy for the victims of crime, Sheinbaum mimicked former President Andrés Manuel López Obrador (AMLO)’s tactics, trying to discredit the march by focusing on the opposition’s role in it. She pointed to Mexican “conservatives” and “bots” generated by the global far right as the promoters of the march and even tried to prevent the protesters from reaching Mexico City’s iconic central square, the Zócalo, to minimize the march’s size and significance.

The December 1 *El Financiero* poll shows that while this tactic played well with the Morena base (31%), it was rejected by many more Mexicans (48%). More broadly, the events were a

reminder of Sheinbaum's weak security policy flank: 56% of Mexicans are dissatisfied with her security policy and 82% with her efforts against organized crime.

Equally troubling, the march ended in a conflict between violent protesters and the police, leaving over 100 injured. While each side blamed the other, images of the violence reached a global audience including President Trump who noted: "there are some big problems over there," and "I am not happy with Mexico."

Protesting the New Water Law

Ten days later, another protest broke out, among farmers and truck drivers who blocked highways to demand changes in the new water law before Congress, higher support prices, and more security on the roads. Once again, the government initially blamed these protests on the political opposition but later softened its stance as the economic costs associated with blockades of border crossings and access to Mexico City increased.

This protest led to a sharp dispute within Morena, with more radical factions insisting that the law should not be modified to ensure full federal government control over this essential resource. The party's more moderate wing, however, in this case led by Ricardo Monreal, the party leader in the Chamber of Deputies, won presidential support for a significant revision of the draft law. The new draft eliminated the original proposal to prevent farmers from bequeathing or selling their water rights along with their land, albeit only if the land is used for agriculture, among other modifications. In exchange, protesters agreed to lift their blockades after four days, but with the threat of reestablishing them if the law were not approved as negotiated. Having cleared Congress, the law now moves to the Executive Branch for publication in the *Diario Oficial de la Federación* (Mexico's official federal register), even as discontent persists among many farmers.

Worrying Supreme Court Behavior

The struggle between Morena’s radical wing and the party’s more moderate forces is beginning to play out in Mexico’s Supreme Court. The influence of Lenia Batres, the Court’s most radical member and next in line for the Court presidency, is becoming evident in Court votes. Recently, a majority led by Batres voted to allow the Court to review settled cases that it determines to have been adjudicated incorrectly. This would have turbocharged the uncertainty surrounding the rule of law in Mexico. President Sheinbaum, however, stepped in, stating her opposition to this effort. The Court quickly issued a clarifying statement insisting it never meant to question the validity of settled cases (*cosa juzgada*).

Equally concerning is the Court’s treatment of a tax case involving the Mexican conglomerate FEMSA. After voting 8-1 on November 6 not to review the case, with Lenia Batres being the lone “yes” vote, a week later the Court reversed itself and voted 6-3 to back Batres’ position and review the case. It thus seems that Court votes, specifically those dealing with tax payments to a resource-poor government, can be revisited and changed under pressure.

Later in the month, Batres proposed the Court approve an expansion of the power of Mexico’s Financial Intelligence Unit (UIF) to freeze bank accounts, largely without constraints. Not only would this overturn established Supreme Court precedents, but it would be a huge expansion of state power to deprive citizens of their property. In response, Justice Yasmín Esquivel pushed back, echoing President Sheinbaum when she argued that justice should not be used politically and that the Court should not try to legislate. It thus seems unlikely that this Batres proposal will advance, but she is apt to continue pressing for Court rulings that empower the state in its relations with society.

Sheinbaum Replaces the Attorney General and AMLO Reappears

Under pressure from President Sheinbaum, Mexico’s attorney general, Alejandro Gertz Manero, resigned on November 27. Sheinbaum had wanted to replace the mercurial Gertz at the start of her presidency but was discouraged from doing so by AMLO. Since then, his refusal to collaborate closely with the President’s security policy has been a significant irritant. The recent mishandling of two cases and evidence of corruption in the AG’s office, however, made him vulnerable.

His ouster is a three-way win for Sheinbaum. First, Sheinbaum was able to replace him with one of her closest associates, Ernestina Godoy, the current legal counsel to the President, giving her control of a powerful bureaucracy. In addition, Godoy was Sheinbaum’s AG in Mexico City, where she worked closely with Security Secretary García Harfuch to build an effective crime-fighting strategy for the city—the same model Sheinbaum has been trying to replicate on a national level.

Second, she forced Senate leader Adán Augusto López, a powerful party powerbroker with whom she has a fraught relationship, to deliver the President’s message to Gertz—if he did not resign, the Senate would oust him. And third, AMLO did not block the change.

Equally important, AMLO reappeared on November 30 to present his new book. Instead of the rumored nationwide book tour, however, he limited himself to a 50-minute video on social media in which he lauded the president. He also laid out three conditions under which he would return to public life: if Mexico’s democracy was threatened, if a coup was likely, or to defend Mexican sovereignty. But as President Sheinbaum noted the next day in her morning press conference, none of these conditions exist in Mexico today, implying that AMLO should return to his retirement.

The Continuing Government Obsession with Salinas Pliego

On November 13, as expected, the Supreme Court ruled that Ricardo Salinas Pliego's firms are liable for more than US\$2.6 billion dollars in back taxes and fines. Salinas Pliego again accused the government of acting politically and violating his human rights, declared himself to be hard-right politically, and reinforced this announcement by meeting with the hardline President of El Salvador, Nayib Bukele. The PAN president then suggested in a media interview that the party could consider Salinas Pliego as a presidential candidate.

Apparently worried about this potential political threat, the government further increased its pressure on Salinas Pliego. The Labor Ministry opened an investigation into his TV Azteca network for irregularities in subcontracting, and President Sheinbaum wondered aloud why anyone would want to advertise on that network, given its opposition to the government and the president and its hateful tone. The message was clear – the current Mexican government would not look kindly on those who advertise on TV Azteca.

New Leadership in the Business Coordinating Council (CCE)

The Mexican business community's leading organization, the CCE, will elect a new leader, José Medina Mora, during its General Assembly in the second week of December. This change brings a more independent and critical voice to the Council, designed to better promote business interests before the government. This decision, to move from a conciliatory approach to a more proactive stance, however, will inevitably produce a delicate balancing act to avoid being seen as part of the opposition to the government.

Two Final Political Notes

The government's plan to move the date of the plebiscite on Claudia Sheinbaum's government from 2028 to 2027, at the same time as the mid-term elections, is not dead—it's

just postponed. The plan to exploit Sheinbaum’s popularity to increase turnout among Morena voters should be approved in the next congressional session beginning in February, along with Sheinbaum’s promised electoral reform. Finally, Sheinbaum held a massive rally on December 6, ostensibly to celebrate 7 years of the Fourth Transformation, but in reality to demonstrate her strength and popularity in the wake of the large anti-government protests discussed above. Her speech lauded the successes of the Fourth Transformation and attacked “right-wing conspiracies” trying to undermine the 4T, reflective of the harder rhetorical line she has taken since the November 15 opposition march.

Mixed Economic Signals

In the first days of December, the government announced a 13% minimum wage increase and Mexico’s transition from a 48 to a 40-hour work week. Although both initiatives were delayed, allowing time to negotiate their implementation with the private sector, their impact on small and medium-sized firms will be significant and will do little to revive Mexico’s lagging business confidence and thus investment.

Despite a large increase in foreign direct investment in the third quarter, including a 16% increase in new investments, total investment in the economy fell 7.3% in the first 8 months of the year, with private investment down 5.4%. When combined with a huge drop in government investment (infrastructure investment is down by about a third this year), this helps explain Mexico’s lack of growth, measuring -0.3% for the third quarter. The Bank of Mexico’s growth estimates were also revised down, now predicting an anemic rate of just 0.3% this year and 1.1% next year.

Bilateral Cooperation Continues Despite Persistent Tensions

While effective bilateral security cooperation continues—which Secretary of State Rubio insisted is at a historic high—water, cattle, air transport, and trade issues continue to fester

without resolution. In this context, Sheinbaum traveled to Washington, D.C., on December 5 to participate in the draw for the upcoming World Cup being hosted jointly by the three North American countries. In addition, Sheinbaum's foreign minister, Juan Ramón de la Fuente, has taken leave from his position to undergo back surgery. Undersecretary for North America, Roberto Velasco, has been temporarily elevated to replace him, reflecting Sheinbaum's confidence in him.

On trade issues, Mexico has replaced Canada as the number one export market for the United States according to the U.S. Census Bureau. It also began to move forward with legislation to increase tariffs on imports originating from countries with which Mexico does not have an existing free trade agreement—a measure that would particularly affect Chinese imports. The initiative had previously been postponed due to concerns within Morena that this action could harm bilateral relations with China, as well as business complaints that it would raise the cost of essential imported production inputs. Intended to promote import substitution and meet U.S. demands for Mexico to reduce its trade with China, the bill was approved by the Chamber of Deputies in the early hours of December 10. It now heads to the Senate, where approval is expected before the fall legislative session ends on December 15. If passed, it will be sent to the Executive Branch for publication in the Official Gazette, with the new tariff rates slated to take effect on January 1, 2026.

President Trump again threw cold water on the USMCA review, stating on December 3: “We’ll either let it expire or we’ll maybe work out another deal with Mexico and Canada...But look, Mexico and Canada have taken advantage of the United States like just about every other country.”

U.S. Commerce Secretary Howard Lutnick, meanwhile, insisted that should the U.S. Supreme Court declare unconstitutional the IEEPA tariffs at the heart of Trump's trade policy, there is a back-up strategy. In a Bloomberg interview, Lutnick listed by number the other tariff

categories the United States could employ, including Section 122 of the Trade Act of 1974 and Section 338 of the Tariff Act of 1930.

Section 122 allows the president to impose a 15% surcharge for 150 days without congressional authorization in response to a “fundamental international payments problem” including “large and serious” balance of payments deficits, albeit for the purpose of avoiding a depreciation of the dollar. Section 338 allows the president to proclaim “new or additional duties” of up to 50% on imports from a country that discriminates against U.S. exports and even block imports from the targeted country should discrimination persist. While not perfect substitutes for IEPPA tariffs given their more limited scale and duration, tariffs under Sections 122 and 338 should be more legally enforceable.

The New Energy Framework Is Now Operational

The Energy Planning Council (*Consejo de Planeación Energética* or “CPE”) formally installed by the Ministry of Energy (SENER) in October 2025 is now fully operational and is the centerpiece of the country’s new “binding planning” model under the Energy Planning and Transition Law (LPTE) and its implementing regulation published in October.

The CPE integrates all major state actors (SENER, CFE, PEMEX, CENACE, CENAGAS, LitoMx, and others) into a single coordination body tasked with defining strategic energy planning, evaluating sectoral policies, and monitoring long-term decarbonization and energy access goals.

The Council now has the authority to develop national planning instruments, align electricity and hydrocarbons policy, coordinate state-owned enterprises, and set the criteria that guide permitting, interconnection, and infrastructure decisions. This structure is intended to bring long-term strategic coherence to the energy system by integrating generation, transmission, natural gas, clean energy, and efficiency under a unified governance model. It should also

strengthen policy predictability by clearly signaling governmental priorities across technologies and regions, improving investor visibility, and reducing discretionary decision-making. Ultimately, the CPE is designed to harmonize operational and planning decisions across the sector. It will guide and feed the National Energy Information System (*Sistema Nacional de Información Energética* or “SNIE”), which will offer a pathway to modernize and consolidate sectoral data, enabling more transparent and robust analysis of Mexico’s energy transition.

Despite its potential benefits, the CPE faces several risks and criticisms from analysts. Many point to excessive centralization, noting that concentrating planning authority within SENER could diminish regulatory independence and limit opportunities for private-sector input. Transparency is another concern, as the Council has so far released little information about its internal deliberations, methodologies, or decision criteria, while longstanding data gaps continue to hinder public and investor analysis. For developers, the shift to binding planning introduces uncertainty because permits and interconnection approvals now depend on demonstrating alignment with official plans, which may be delayed, politically influenced or insufficiently detailed. Additionally, the CPE’s multi-institutional structure carries implementation risks: overlapping mandates and coordination challenges could slow approval processes, create administrative bottlenecks, and complicate investment planning for renewable, gas, hydrogen, and infrastructure projects. The Monarch team will continue to navigate this evolving institutional framework to ensure that client project needs are not only heard but also actively positioned for priority consideration in the federal planning process.

In other news, we now know, per our contacts at SENER and CNE, that of the 6,500 MW that the administration expected from private investors through the Binding Projects process,

2,000 have failed to attract interest. The experience will surely inform a new process that should take place in Q1 2026.

Meanwhile, political pressure in the U.S. is mounting over Mexico's preferential treatment of Pemex and CFE, which Washington views as inconsistent with USMCA obligations. U.S. officials and industry groups argue that Mexico's energy policies disadvantage foreign investors, and if negotiations fail to resolve these concerns, the issue could escalate to a formal dispute panel in 2026. Such a move—timed with the broader USMCA review—would significantly raise trade and policy risks for Mexico's energy sector. Pemex's operating liability debt to American companies (presently more than US\$2 billion in payments due) will also add pressure to the USMCA review.

Demands on Mexico's electrical infrastructure is accelerating from multiple fronts. On one hand, AI and data-center developments are expected to require between 1.5 and 3.0 GW of additional capacity by 2030—equivalent to roughly 12–24 TWh per year, or 3–7% of projected national consumption. This new load would arrive in a system that the Mexican Institute for Competitiveness (IMCO) warns could face a supply gap of up to 48 TWh by 2030 if generation and transmission investments do not accelerate.

At the same time, industrial demand is rising even faster: the Mexican Association of Industrial Parks (AMPIP) reports that nearshoring, e-commerce, and global supply-chain shifts are outpacing the country's infrastructure build-out. With the Sheinbaum administration's plan to develop 100 new industrial parks and AMPIP's existing network of 477 parks hosting nearly 4,000 mostly U.S.-linked-manufacturers, the association estimates that current parks alone will require approximately 13,000 MW of additional capacity before the end of 2025 to sustain operations and enable further expansion.



Together, these digital and industrial trajectories signal a structural surge in electricity demand-one that Mexico's current planning instruments do not yet incorporate with the speed or regional granularity required, particularly in already saturated nodes across the Bajío, northern, and central regions. Ultimately, only large-scale private investment can close this emerging gap, and we anticipate meaningful opportunities for Monarch clients as federal planners increasingly recognize the urgency of bringing new electricity supply and infrastructure online.

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