POTENTIAL MEXICAN OFFSETS TO CALIFORNIA

Business Council for Sustainable Development – Mexico
(Comisión de Estudios del Sector Privado para el Desarrollo Sustentable)

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Basic Facts on the California – Mexico Relationship

• Major trade partner, accounting for 26.3 bn exports to Mexico in 2012.

• California is a low energy intensive economy (technology, services, etc.).

• However, California imports many goods –including emissions related, such as cars, machinery, etc, etc (Maybe Carbon leakage?).

• Exports many technological goods (computers, hi-tech appliances, etc)

• Can export low or zero –emissions technology (example: wind turbines) to Mexico. (Fact: All Mexico’s wind turbines are European!!)

• But most important of all: can export a Carbon Price Signal.

• Otherwise, the major signal is the price (from the U.S., not California alone) of natural gas, which would be the business as usual scenario. (Good for fuel switching, but not enough to really reduce emissions)
Mexican Regulatory Framework:
With the incoming administration, there have been recent changes in the environmental regulation.

- National Climate Change Strategy (NCCS) 2013

Base line scenarios and mitigation amounts according to the NCCS.

GHG Emissions Mt CO2eq

- **Escenario alto:**
  - Crecimiento del PIB=4.2% anual
  - Escenario energético de SENER

- **Escenario bajo:**
  - Crecimiento del PIB=2.3% anual
  - Eliminación del carbón en generación eléctrica

Source: Baseline and GHG emissions target path in México, National Climate Change Strategy 2013-2018, SEMARNAT.
Cost abatement of GHG reductions for Mexico, 2020:

Source: Mexico’s GHG Emisions Baseline Updated Analysis, Marginal Cost Reduction and Project Portfolio. USAID – México, June 2013.
Examples of Potential initiatives to Produce Carbon Offsets for the California Market (Renewables and Transportation)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Capacity/Growth</th>
<th>Carbon Credits</th>
<th>Financials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind Energy</td>
<td>15.4 GW</td>
<td>23 Mt</td>
<td>23-28 US bn</td>
</tr>
<tr>
<td>Cogeneration</td>
<td>9.8 GW</td>
<td>14 Mt</td>
<td>2.5 - 3 US bn</td>
</tr>
<tr>
<td>Solar Electricity</td>
<td></td>
<td>Feasible for comercial and high c. residences ($2500/m2)</td>
<td></td>
</tr>
<tr>
<td>Transport (BRTs)</td>
<td>21 main</td>
<td>1 Mt</td>
<td>1.5 - 2 US bn</td>
</tr>
</tbody>
</table>
Conclusions

• California and Mexico are important trade partners

• California imports energy intensive products

• A lower cost to mitigate C emissions is through good, certified offsets.

• Mexican private sector can promote investments on selected states of Mexico in renewable energy, cogeneration and efficient transportation, with potential reductions of 25 – 30 Mton per annum.

• This would be a win – win agreement.

• We look forward to keeping the momentum on this relationship towards the acceptance of long term, good quality, certified offsets, which renewable energy can certainly provide.
Business Council for Sustainable Development- Mexico

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