

**National Energy Strategy: on path to a low-carbon economy.
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The 2013-2027 National Energy Strategy (NES), which the Executive Branch recently introduced to Senate, will be an important element in defining Mexico's long term energy and environmental future. Its enclosures recognize the existence of regulation goals in energy transition and mitigation, such as those included in the climate change and renewable energy laws, and it also points out that there are different ways to achieve these.

The document provides an accurate view of the industry and gives comprehensive answers to the country's challenges; it is in favor of energy diversification in which the exact mix is yet to be determined. Other instruments will have to pinpoint the path set by the strategy, such as sectorial plans and programs. This diversity of options is indeed desirable, as it will allow evaluating each project in light of its costs and benefits, considering the available technological opportunities when the decision is taken. It is necessary that such assessments are made using methodologies that take into account the technological uncertainties and economic risks, as well as environmental externalities.

The NES introduces sufficient flexibility to enable the country to move towards a low-carbon energy matrix in an efficient manner in the next few years and above all, to be able to manage the costs of doing so. It seeks to take advantage of every opportunity including shale gas, geothermal and the high potential of renewable energies. It also includes the nuclear option, and prominently, recognizes the importance of increasing energy efficiency.

Considering that the National Climate Change Strategy and its corresponding program are still under development and will have influence on policy options, the 2013-2027 NES indicates a set of broad and flexible measures that will allow optimizing the path to a low-carbon economy. On this pathway there are opportunities to create virtuous circles between innovation, early adoption of technologies, and cost reduction. There are measures such as expanding the supply of energy by means of renewable options whose costs should be analyzed in the light of their benefits. Given the likely establishment of a carbon price as part of a new international climate regime, some high-cost actions today can become an opportunity for Mexico to position itself as a recipient of funding and as an exporter of goods and services with a shrinking range of carbon footprint.

Taking advantage of the abundant potential for renewable resources represents part of the answer towards a solid and low-cost energy transition. At the same time, natural gas may be administered in Mexico as a *transition fuel* which reduces the carbon footprint and the emission of pollutants in reasonable time and costs, while other energies, including renewables,

geothermal and nuclear, develop and mature. The vast availability of shale gas in Mexico is an opportunity not to be wasted. For it to be truly a transition fuel, its stipends will need to be invested into a non-fossil transition. The NES seeks to take advantage of this potential while recognizing the need to address the challenges associated with technologies and procedures which minimize environmental impact and preserve water resources.

The *win-win* potential of energy efficiency has a distinct place in the NES, and it will need to be emphasized even further. We know there is considerable inefficiency in energy consumption patterns in Mexico, product of many years of subsidies. Eliminating and transforming these subsidies into assistance, which encourages efficiency and directly favors the most needed segment of the population, will contribute to generating multiple benefits, such as liberating resources for social investment, reducing pollution, and promoting economic opportunities around the industry of efficiency.

What follows is to ground this strategy into specific plans, programs and projects with concrete goals and actions, which allow placing Mexico on the right path to a low-carbon economy.