

Mexico's Solar Industry Outlook: Notes Regarding the "Solar Asset Management Mexico" Conference


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The third edition of "Solar Asset Management Mexico", one of Mexico's most important conferences on solar energy, was held during the month of October 2020. Due to the current pandemic, the conference was held virtually via a high-quality digital platform that brought together representatives from the entire Mexican electricity sector. Over the course of four days, more than 200 participants attended the presentations of more than 30 panelists, they had the opportunity to interact with each other, and they received a complete picture of Mexico's current solar industry.

The energy sector has not been impervious to the challenges posed by the pandemic. A number of actions taken by Mexico's current federal administration have also created an environment that has slowed new energy investments, particularly in utility-scale generation projects. This contrasts with the period of tremendous growth that occurred between 2016 and 2019, especially as a result of the long-term auctions. This was highlighted by Leopoldo Rodríguez and Héctor Olea, presidents of the Mexican wind and solar energy associations, respectively.

Jeff Pavlovic, founding partner of Bravos Energía, pointed out that developers are currently more focused on defending existing investments than on planning new projects. He stressed that many utility-scale solar power plants are taking too long to start their operations, mostly owing to delays in permitting and authorizations. Similarly, Mario Pani, Regional Manager at BayWa r.e., noted that the pandemic itself has significantly affected the speed with which governmental agencies respond to stakeholders.

Fortunately, other areas of the industry have continued to grow, as is the case with qualified supply. For example, Raúl González, General Director of CFE Calificados, highlighted a great market potential noting that there are currently more than 5,000 possible qualified end users, in contrast to the 386 qualified end users registered as of February 2020. These statements were seconded by Juan Guichard, CEO of the supplier, Ampper Energy, who added that due to the pandemic, more consumers are exploring options for reducing energy-related costs.



End users are interested in fixed and stable electricity rates, as well as in knowing the origin of the energy they consume, as underscored by the Global Head of Environmental Sustainability at Coca-Cola FEMSA, Salvador Trejo. More companies are looking for competitive prices in the procurement of energy while at the same time trying to reduce their carbon footprint.

Another way end users can decrease costs and mitigate environmental impact is through-site generation, which includes isolated supply or local generation projects, as well as distributed generation. Pablo Rivero, Country Manager at ForeFront Power, and Casiopea Ramírez, Partner with Fresh Energy Consulting, shared advice on the development of on-site projects with a capacity greater than 500 kW: it is easier for projects to succeed if they are located in areas where they are not subject to a lot of competition with CFE, and do not intend to interconnect to the National Electrical System to inject surpluses into the grid.

Undoubtedly, the greatest threat to the sector is regulatory uncertainty. This was confirmed by a survey conducted during the event, where 60% of participants identified it as the greatest risk. Carlos García from Zuma Energía summarized the feelings of several developers when he stated that it is "like a fight between David and Goliath where David has no stone". However, this analogy is more nuanced because to date the Mexican federal judiciary has leveled the playing field by granting injunctions against the energy regulatory agency, the system operator, and the Department of Energy itself ("SENER" for its initials in Spanish), ruling that their actions went beyond their legal authority.

In any case, despite the evident short-term concerns noted above, the future remains bright for Mexico's solar industry considering the abundance of the resource, technological competitiveness, large-scale storage developments, and an increasing demand for inexpensive, clean energy.

Contact:

Antonio Riojas
Associate
ariojas@ccn-law.com.mx

Elena Hernandez
Associate
ehernandez@ccn-law.com.mx