

# What would happen to Mexico's energy sector in a potential Sheinbaum administration?

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## The Question

Today's consensus in Mexico is that under a potential president Sheinbaum\* the state of affairs in energy will remain as it has been under AMLO. Until today, in her statements and interviews Sheinbaum has closely repeated the energy creed of AMLO, including saying that she will attempt to amend the Constitution to require a minimum 54% market share for the state-owned enterprise (CFE) in electricity generation (see Annex). Many people also consider that AMLO will remain a very powerful former president, and he will make sure that Sheinbaum, a weak president, remains faithful to his statist energy project and even helps its development and consolidation following the guidelines established by the current administration.

Nevertheless, there are several reasons to think that a future Sheinbaum administration will disappoint the believers in the continuity of AMLO's energy policy. First, energy and environment are subjects about which Sheinbaum personally cares. She is a recognized expert with over 130 academic articles on renewables, environment and energy transition. She was part of a group of environmental scientists (IPCC) that won the Nobel Prize in 2007 (see Ex Post). Second, even under today's imperial presidency, Sheinbaum has managed to act independently vis-a-vis AMLO in subjects close to her heart. For example, the Mexico City government conducted COVID tests when federal policy was opposed to them; it was also able to keep a civil local police force in charge of public security, instead of the federally sponsored military National Guard. Energy transition is something she really cares about, as President she would be reluctant to accept major dictates in this matter. Third, it is highly likely that those that have controlled the electricity sector since 2018 will be a lot less influential in a potential Sheinbaum administration. The current administration put the electricity sector under the control of a political coalition that was conspicuously opposed to private participation and renewables. It included Manuel Bartlett, an old politician and statist ideologue; a group of retired engineers from CFE generation such as Carlos Morales Mar (who used to drive AMLO in Veracruz when he was an opposition politician); and retired oil engineers that needed CFE's power plants to use the fuel-oil produced by Pemex's refineries. That coalition will hardly have the same influence in the next years. Sheinbaum, while clearly from the left, belongs to a different generational cohort, and she comes from a group of UNAM engineers that is more academic and more concerned about the energy transition.

In her academic work, Sheinbaum stood out for her constant advocacy of renewable energies and their integration into the National Electric System through organized state planning based on technical and environmental criteria. She also conducted studies on diversifying the renewable matrix through the utilization of geothermal energy and biomass. For Sheinbaum, the priority is to achieve state control of the sector and then lead the energy transition. Therefore, it is expected that the realization of her proposal will involve experts such as Juan José Vidal Amaro (her doctoral student and director of the Ciudad Solar project) or Víctor Rodríguez Padilla (co-author on various articles with Sheinbaum and a researcher at UNAM). Some of the more radical members of Morena might show discontent, but make no mistake, if elected, a potential President Sheinbaum will appoint other officials, different from those currently in charge, and will be personally involved in energy policy.

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Publius Question XIV/XXIII  
November 27, 2023, p. 2.

## Ergo

The next administration will face a structural fiscal problem. It will have high expenditure commitments. Fiscal restrictions, as well as the upcoming defeat of AMLO's energy counter-reform in the Supreme Court and in the USMCA panel, will force a potential president Sheinbaum to veer away from statism. She, and her new technical team could lose another five years fighting private renewables and trying to change the rules of the Constitution and the USMCA. Alternatively, they can opt to follow a greener and more inclusive path. It is viable, even likely, under a President strongly committed to the growth of renewables. A greener CFE could tap the plentiful financial resources and private entrepreneurial talent available for energy transition. A green CFE would necessarily prioritize investing in the well-planned development of a more robust and intelligent electric grid. And such a grid would allow the entry of clean private and public generation. Sheinbaum declared that in Mexico's electricity there is space for everyone. It will be a major technical and political challenge, for Sheinbaum or for any other potential President.

## Ex Post: Claudia Sheinbaum's trajectory in energy

**Oct/2007:** Member of the IPCC. Year in which this institution received the Nobel Prize.

**Feb/2022:** Intervention in the Open Parliament in favor of AMLO's Electricity Reform Initiative.

**Aug/2023:** Before business leaders of the CCE, she advocated for accelerating the development of clean energies and pledged to collaborate with the private sector to address their concerns.

**Apr/2008:** Participation in the "Adelitas" movement for the defense of oil sovereignty.

**Jan/2023:** In an interview with Bloomberg, she declared that she will seek to reform the Constitution so that the CFE retains 54% of generation.

**June/2023:** During an interview, she expressed that if she were President, she would put a strong emphasis on clean energies.

**Nov/2023:** Before businessmen in Monterrey, she defended the need to accelerate the energy transition and allow private investment in energy.

## Verbatim

*"Renewable energies and their development require clear planning, and the integration of the national electrical system should be based on economic and technical criteria, where the environment is a substantive element".*

**Claudia Sheinbaum**, Intervention in the Open Parliament on Electricity Reform, February 2022.

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## Annex. Relevant publications and statements.

Publius Question XIV/XXIII  
November 27, 2023, p. 3.

Between 1989 and 2018, Claudia Sheinbaum authored (either independently or in collaboration) over 130 academic articles on energy, climate change, the environment, and public policy in national and international scientific journals. Her work has been cited 4,161 times since 2016, according to Google Scholar.

Year	Title/Event	Quotes/Statements
2008	Sheinbaum Pardo, Claudia. (2008). <u>Analysis and alternatives for a national energy policy.</u> <i>Argumentos.</i>	<i>"Oil is a non-renewable resource, so an increase in its production cannot and should not be an indicator of productivity as in other sectors of the economy. On the contrary, <b>the accelerated increase in oil exploitation only demonstrates an irrational use of the resource and greater environmental impacts.</b> [...] A national energy policy with a long-term vision should [...] promote the <b>diversification of energy sources and an increase in the participation of renewable sources.</b>"</i>
2009	Rodríguez Padilla, Víctor y Sheinbaum Pardo, Claudia. (2009). <u>Mexican policy and sustainability indicators.</u> <i>Problemas del Desarrollo.</i>	<i>"In relation to the <b>promotion of natural gas</b>, there is a goal to achieve a certain level of energy balance by reducing dependence on oil; however, the substitution has been carried out only with a single fossil fuel and, moreover, without the necessary national production. This has caused an increase in the weight of imports in consumption [...] and as a result, <b>this policy has nullified the utilization of renewable energy sources</b>".</i>
2023	<u>Interview</u> with Álvaro Delgado and Alejandro Páez, <i>Sin Embargo.</i>	<i>"I have been an advocate for renewable energies for years because that's what I dedicated myself to. Therefore, <b>I would place a very significant emphasis on renewable energies</b> [...] the President has done it, but I would do more. I am an environmentalist [...] We need to maintain 54% of the generation in CFE and 46% in private hands. As the country grows, <b>there will be space for everyone in long-term energy planning</b>".</i>
2023	<u>Meeting</u> with the CCE.	<i>"Clean energies are the order of the day, and Mexico should be on that path. We may have differences, but <b>I am confident that we will have more similarities than differences</b>".</i>