

## Mexico

### General Information

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#### Summary

**Status:** ETS implementation scheduled

**Jurisdictions:** Mexico

Mexico's General Law on Climate Change Law (Ley General de Cambio Climático – LGCC), as amended in July 2018, provides the framework for the establishment of an ETS in Mexico. The mandatory ETS is to be preceded by a pilot phase, which will run for three years.

The Mexican government is currently working on the development of regulations for the pilot phase. A first draft regulation was released in late 2018. A final draft is under consideration within the government and should be published during the first half of 2019. It is expected that the pilot cover direct CO<sub>2</sub> emissions from energy and industry. The latter could include, among others, the automotive, cement, chemicals, glass, steel, metallurgical, mining, and petrochemicals subsectors, as well as the pulp and paper subsector. Participation could be limited to entities with annual emissions greater than 100,000 tCO<sub>2</sub>, amounting to ~300 entities. In this configuration, the pilot would cover approximately 45% of national emissions.

Allowances during the pilot phase are likely to be primarily distributed through grandparenting, based on historical emissions, sectorial goals, and the country's NDC. Auctions—which may be subject to price collars—may also apply to a small percentage of allowances. This could be complemented by reserves, e.g., for new entrants and to respond to price spikes.

Offsets may be eligible for compliance under the pilot ETS, subject to quantitative limits. Offsets would likely be generated under a domestic program that is yet to be established. Participation in the pilot phase is likely mandatory, but without penalties for noncompliance.

In October 2014, a mandatory reporting system (the National Emissions Register—RENE) was established for both direct and indirect GHG emissions for facilities with annual emissions above 25,000 tCO<sub>2</sub>e. Emitters in the energy, industrial, transport, agricultural, waste, commercial, and services sectors are required to report the six GHGs identified by UNFCCC, as well as black carbon. Fossil fuel sales and imports (with the exemption of natural gas) have been subject to a USD 3.50 carbon tax since 2014.

ETS regulations have also built on extensive consultation with and participation by the private sector and civil society. In addition to numerous public consultation fora, a national carbon market simulation took place between 2017 and 2018 to strengthen capacity and the readiness of Mexican businesses to participate in a future ETS. The simulation brought together more than 100 Mexican companies from numerous economic sectors, such as electric power, hydrocarbons, aviation, mining, forestry, consumer goods, and financial institutions, among many others. The companies represented two-thirds of Mexico's GHG emissions. The exercise had the objective of strengthening the capacity and readiness of Mexican businesses to participate in a future ETS.

Mexico is also actively seeking to link its future ETS to markets in North America. To this end, in October 2015, Mexico signed a Memorandum of Understanding with Québec

	that includes cooperation on ETS. In August 2016, Mexico, Québec, and Ontario issued a joint declaration on carbon markets collaboration. Additionally, in December 2017, Mexico—together with four countries and seven subnational governments—issued the Paris Declaration on Carbon Pricing in the Americas for carbon pricing implementation, which creates a platform for cooperation among countries in the region.	
Year in Review	No information available yet.	
Overall GHG emissions (excluding LULUCF)	<b>Emissions:</b> 683 MtCO <sub>2</sub> e (2015)	
Overall GHG emissions by sector	Sector Name	MtCO <sub>2</sub> e
	Energy	480.9
	Industry	54.1
	Agriculture	102.1
	Waste	45.9
Overall GHG reduction target	<p><b>By 2030:</b> 22% reduction compared to BAU scenario and 36% conditional reduction, subject to a global mitigation agreement (NDC)</p> <p><b>By 2050:</b> 50% reduction from 2000 GHG levels (Climate Change Law aspirational goal)</p>	
Carbon Price	<i>Current Allowance Price (per t/CO<sub>2</sub>e):</i> No information available yet.	

## ETS Size

Emissions covered by the ETS	No information available yet.
GHG covered	No information available yet.
Sectors covered and thresholds	No information available yet.
Point of regulation	No information available yet.
Number of liable entities	No information available yet.
Cap	No information available yet.

## Phases & Allocation

Trading period	No information available yet.
Allocation	No information available yet.

## Flexibility

Banking and borrowing	No information available yet.
Offsets and credits	No information available yet.
Market Stability Provisions	No information available yet.

## Compliance

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Compliance Period	No information available yet.
Monitoring, Reporting, Verification (MRV)	No information available yet.
Enforcement	No information available yet.

## Linking

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Links with other Systems	No information available yet.
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## Other Information

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Institutions involved	Ministry of Environment and Natural Resources; Ministry of Energy; Ministry of Finance
Evaluation / ETS review	No information available yet.
Revenue	No information available yet.
Implementing Legislation	No information available yet.

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