

November 2018

Policy brief

Mexico's General Law on Climate Change: Successes and challenges



THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE



UNIVERSITY OF LEEDS

Headline issues

- In 2012 Mexico became the first large oil-producing emerging economy to adopt climate legislation.
- The Law has formalised political commitment and set the direction of travel for domestic climate policy.
- However, implementation challenges relate to the Law's design, institutional and financial capacity, and the political will to act.

Summary

Mexico has been an active player in international efforts to tackle climate change for the past 25 years, helping to advance international climate change negotiations. However, its greenhouse gas emissions continue to grow and it has an influential fossil fuel sector.

The country adopted the General Law on Climate Change in 2012, and a 2018 decree brought its domestic emission reduction targets in line with the Paris Agreement on climate change. The Law sets institutional foundations, and long-term it has improved the quality of political debate around climate change and has advanced the low-carbon energy transition.

However, challenges remain. When the new administration takes power on 1 December 2018 it needs to translate technical, regulatory and scientific knowledge into concrete actions to implement the Law. More clarity is needed over institutional mandates, as well as a comprehensive climate finance strategy and stronger evaluation and accountability mechanisms.

Policy briefs provide analysis on topical issues, presenting specific recommendations to inform ongoing policy debates. Drawing on the Grantham Research Institute's expertise, they summarise either our research findings or the state of knowledge about a particular issue.

This policy brief has been written by **Alina Averchenkova** and **Sandra L Guzman**. It summarises a longer report, *Mexico's General Law on Climate Change: Key achievements and challenges ahead* (29 pp), available at: www.lse.ac.uk/GranthamInstitute/publications/

“Against strong opposition, the Law has formalised political commitment and set the direction of travel for domestic climate policy in Mexico”

Introduction

This brief provides a summary assessment of the impact of the General Law on Climate Change to date and draws lessons learnt for Mexico and other countries that are currently developing climate change legislation.

Mexico has shown climate leadership on the international stage

Mexico has been an active player in international efforts to tackle climate change for the past two-and-a-half decades, helping to advance international climate change negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) and through other relevant forums such as the G20. It became the first developing country to submit an intended Nationally Determined Contribution leading up to the adoption of the Paris Agreement.

Mexico committed to domestic action with its General Law on Climate Change

In April 2012 Mexico’s Parliament passed the General Law on Climate Change (referred to in this brief as ‘the Law’), thereby becoming the first large oil-producing emerging economy

to adopt climate legislation. In April 2018 Mexico passed a decree amending some of the provisions of the Law to bring it into greater consistency with the Paris Agreement – a step that only very few countries have taken at the time of writing.

The Law has been an important achievement for the country politically. Against strong opposition from fossil fuel-intensive industry and amid the turmoil of the 2012 presidential elections, the passage of the Law has formalised political commitment and set the direction of travel for domestic climate policy in Mexico. However, implementing the Law has presented significant challenges.

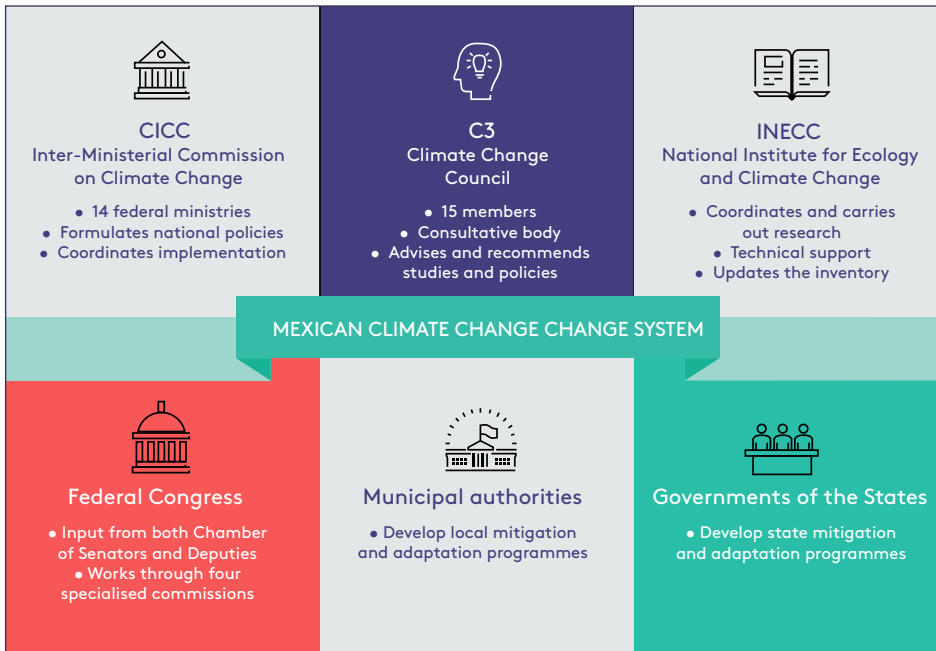
Key components of the 2012 General Law on Climate Change

Communication, collaboration and coordination

The Law sets out the key elements of the institutional system to address climate change through the establishment of the ‘National System on Climate Change’ (SINACC) – see diagram. The SINACC is comprised of the Inter-Ministerial Commission on Climate Change, the Consultative

Information sources

Our assessment is based on interviews carried out from December 2017 to March 2018 with parliamentarians and government officials, and experts from non-governmental organisations, academia and the private sector, who have been actively engaged in Mexico’s climate change debate and policymaking since the creation and adoption of the General Law on Climate Change in the period 2010–2012. Their views are complemented by previous studies on Mexico’s climate policy. The assessment is based on the reading of the Law as adopted in 2012, as most of the interviews were conducted prior to amendments made in April 2018.



The National System on Climate Change (SINACC): structure and functions

Source: Authors

Council on Climate Change, and the National Institute of Ecology and Climate Change, and includes representation of the state governments and of the associations of municipal governments, as well as representatives of the Mexican Congress. The Ministry of Environment acts as the secretariat. The Law also defines and integrates policy tools and mechanisms, and sets long-term emissions targets.

Planning and policy instruments

A National Strategy on Climate Change represents the mid-term vision. The Special Programme on Climate Change (PECC) articulates mitigation and adaptation measures in key sectors in accordance with that strategy, the national development plan and sectoral programmes.

Other important components include the Greenhouse Gas Emissions Registry, and the Climate Change Fund, created to channel public, private, national

and international financial resources to finance climate change actions.

Quantitative targets in the 2012 reading of the Law

These included: an aspirational goal of a 30% reduction of greenhouse gas emissions by 2020 over business as usual, and a 50% reduction below the year 2000 baseline level of greenhouse gas emissions by 2050. There is also a commitment to generate 35% of energy from clean sources by 2024. These objectives were conditional on international support.

Amendments to the Law: the 2018 decree

In April 2018 Mexico's Parliament passed a decree amending the Law to make it compatible with the Paris Agreement on climate change, recognising the need to keep global temperature rise to within 2°C above pre-industrial levels and ideally to keep the increase below 1.5°C. It amends the emission reduction objectives according to those specified

“A 2018 decree amends the emission reduction objectives according to those specified in Mexico’s Nationally Determined Contribution (NDC)”

“With emission reduction targets enshrined in law, the core climate change objective is stronger”

in the Nationally Determined Contribution (NDC) to the Paris Agreement submitted in 2015. This includes an unconditional commitment to reduce greenhouse gas emissions by 22% and black carbon emissions by 51% below business as usual by 2030, implying that emissions would peak by 2026 and that the intensity of greenhouse gas emissions per unit of gross domestic product (GDP) will be reduced by about 40% between 2013 and 2030. There is a conditional target to further reduce greenhouse gas emissions by 36% and black carbon by 70% below business as usual by 2030, subject to international support.

The decree also introduced sectoral emission reduction targets and included provisions for new and strengthened existing policy mechanisms, including provisions for the National Adaptation Plan, emissions trading, and a transparency framework for the NDC.

Lessons for other countries

Other countries, including emerging and developing economies, can learn much from Mexico’s experience. Our findings come from interviews with officials and experts who have been actively engaged in Mexico’s climate change debate and policymaking (see box, p2).

Main achievements

- **The institutional foundations have been laid:** The Law provided the basis for developing, mainstreaming and implementing the climate change agenda, defined the division of responsibilities, and promoted more active participation of states and municipalities.

- **Long-term objectives have been defined and political continuity strengthened:** Long-term targets have been made mandatory, regardless of the political party in government. With emission reduction targets enshrined in law, the core climate change objective is stronger. The update to the Law in 2018 to maintain its consistency with Mexico’s international commitments highlights its continued role as the main vehicle for domestic climate policy.
- **The quality of the political debate has improved:** The Law has helped to raise political awareness and recognition of the importance of climate change, and give it political relevance. It has also improved recognition and understanding of the benefits of the low-carbon transition and the linkages between climate change and other policy priorities.
- **The low-carbon energy transition has advanced:** The aspirational clean energy and emission reduction objectives have helped facilitate the energy reforms, and made the negotiations over the 2015 Energy Transition Law easier, which mandated the previously aspirational target for 35% electricity generation from clean energy by 2024. The Energy Transition Strategy subsequently set longer-term goals for clean electricity generation, of 37.7% by 2030 and 50% by 2050. According to the Government, Mexico could reach the goal of generating half of its power from clean energy by 2034, 16 years sooner than the target set.

Main challenges

Challenges relate to the Law's design and also to familiar obstacles in emerging economies around institutional and financial capacity and political will.

- **Unclear mandates challenge coordination and implementation:** Although the law defines general responsibilities, it does not set sufficiently clear mandates or implementation guidelines for the responsible institutions. This translates into a lack of specific goals and weak coordination among the ministries across levels of governance. Further, key policy instruments such as the national strategy and the PECC are developed only by the federal government and therefore do not represent a comprehensive vision of all the relevant entities.
- **Weak accountability mechanisms:** No independent body is clearly entrusted with accountability and enforcement, and responsibility for monitoring implementation is ambiguous. The Consultative Council on Climate Change, which should provide independent policy advice and engage relevant stakeholders, has been ineffective, because of a lack of strategy and allocated budget. The fact that the Law does not establish sanctions for non-compliance has created the perception that it will not be fully implemented.
- **Lack of budget:** The general mandate of the Law regarding the allocation of public sources to implement climate policy has not been effectively implemented and an effective financing strategy has not been established. The Climate

Change Fund has received little funding, while the revenue raised by the national carbon tax introduced in 2014 was not earmarked for climate change but absorbed into the general public budget.

- **Gaps in political commitment and leadership:** While the adoption of the Law has helped to generate and maintain a political consensus about the importance of action on climate change, there are still significant disagreements about the form this should take. Strong opposition from fossil fuel-intensive companies slows implementation. The Law alone is not able to substitute for political will to implement the concrete policies necessary for achieving its goals.

Recommendations

The adoption of the General Law on Climate Change has been an important step in advancing Mexico's efforts to address climate change. Significant progress has been made in operationalising and implementing the Law over the past five years. However, the experts interviewed for this study point to several essential improvements to the infrastructure it has set up and to its execution. Looking ahead, the major challenge for Mexico is how to address the gaps between the stipulations of the Law, its April 2018 amendments, and the actual ways in which climate change policy is developed and implemented.

Based on our review, we make the following recommendations.

1. Revive political leadership and commitment to implementation

Political leadership on climate change urgently needs to be

“Challenges relate to the Law's design and also to familiar obstacles in emerging economies around institutional and financial capacity and political will to act on climate change”

“Mexico needs to address the gap between the provisions in the legal frameworks and actual practices”

revived and strengthened so that the administration incoming on 1 December 2018 can continue with good practices and translate technical, regulatory and scientific knowledge into concrete actions, in order to implement the Law effectively. One recommended option is to incorporate climate policy initiatives into the upcoming revised national development plan. The April 2018 amendments to the Law, which make it consistent with Mexico’s NDC and set sectoral emission reduction objectives, provide a good basis for these efforts.

2. Improve clarity over institutional mandates and coordination between agencies and government levels

To effectively design and implement policies necessary to meet the objectives set in the General Law on Climate Change and in the NDC, Mexico needs to address the gap between the provisions in the legal frameworks and actual practices. Priority should be given to improving inter-sectoral coordination among (and within) the key agencies and vertical coordination between the federal, state and municipal levels. This requires clarification of the mandates and empowerment of the key institutions.

In particular, the operation of the National System on Climate Change, and of the Inter-Ministerial Commission on Climate Change, needs to be reviewed to ensure better functioning of the technical working groups and to improve the engagement of individual sectors. These improvements require political commitment and leadership at the highest level of government, including in the Ministry of Finance.

3. Empower state and local governments, and sectoral agencies

There is a need to strengthen capacity and to incentivise participation of the state and municipal governments, and sectoral agencies. This can be done through targeted guidance on the development of local climate change plans and through improving allocation of resources from the federal budget to adaptation and mitigation actions. Continued awareness-raising and training support on climate change policy is also important. Capacity-building efforts should prioritise the states with the most significant climate governance gaps, for example those that do not have a dedicated environment department.

4. Develop and implement a comprehensive climate finance strategy

Effective implementation of the General Law on Climate Change and of the NDC will be possible only if supported by adequate financial resources. Addressing the current gap in climate finance should be a priority for the Government. There is a need to define a clear climate finance mobilisation pathway, including improving budgeting processes for climate-related activities, for example by making the role of the Inter-Ministerial Commission on Climate Change more effective in this process. There also needs to be a more effective process for developing a project pipeline for financing that goes beyond previously planned sectoral activities.

Continued on p8

Summary of lessons learnt from Mexico's General Law on Climate Change

Lessons for other countries:

- Climate change legislation is effective for setting a long-term direction of travel for climate policy, and a foundation for development and delivery even in the face of future political change, including in emerging economies that have a strong fossil fuel lobby.
- To be effective, a climate law needs to establish clear institutional mandates, long-term goals and intermediate steps to achieve them, and to define planning and implementation mechanisms and timelines.
- A climate law also requires a clear financing strategy and the backing of sufficient financial resources.
- Strong mechanisms for coordination are needed to ensure adequate implementation, within and beyond the environmental sector. Ambiguities in institutional mandates in the law can significantly impede effectiveness of coordination and climate policy development and implementation.
- Deliberation on and adoption of climate change legislation increases political awareness of climate change and improves the quality of the political debate. It also helps maintain political consensus over time.
- A strong accountability mechanism is essential, including an independent and effective policy evaluation and advisory body.
- A climate change law alone does not substitute for political leadership. Sustained commitment is required for successful implementation.

Lessons for Mexico:

- The adoption of the General Law on Climate Change has been an important step in advancing Mexico's efforts to address climate change and in strengthening its reputation globally as a leader in this area.
- The Law has contributed to the low-carbon transition in the energy sector by providing guidance on long-term climate change and clean energy objectives for energy reform.
- The key challenge now is to close the gap between what is set out in the Law and the reality of climate policy arrangements, processes and practices.
- Political leadership and commitment to climate action need to be revived through the development and adoption of concrete plans and policies and improving coordination among and within sectors and different levels of governance.
- Capacity needs to be strengthened, and participation of the state and municipal government and sectoral agencies incentivised, including by targeting guidance on how to develop climate change plans and by improving how resources are allocated.
- A consolidated strategy to mobilise financial resources is needed, including improvements to budgeting processes. The Inter-Ministerial Commission on Climate Change should be supported to become more effective in this process.
- The lack of an independent and adequately resourced monitoring and evaluation mechanism is a significant barrier to the effective implementation of the Law and Mexico's Nationally Determined Contribution (NDC), and needs to be addressed.
- The Consultative Council on Climate Change and other mechanisms for stakeholder engagement need to be strengthened, including through adequate allocation of resources.

Recommendations continued

5. Strengthen policy evaluation and accountability mechanisms

The lack of an independent and adequately resourced monitoring and evaluation mechanism is a significant barrier to the effective implementation of the General Law on Climate Change and the NDC. Periodic evaluation and review of the national policies and of their implementation could provide an informed basis for policy improvement, with parliamentary oversight and accountability.

6. Enable effective stakeholder input and participation

Effective, specialised input from stakeholders on climate policy is crucial for improving the quality of policy proposals. It is also important for ensuring transparency and for strengthening stakeholder buy-in and support for the policies and their active participation in their implementation. This requires strengthening the Consultative Council on Climate Change, including through allocation of resources for its operation.

Grantham Research Institute on Climate Change and the Environment

London School of Economics and Political Science

Houghton Street, London, WC2A 2AE

e gri.policy@lse.ac.uk

w lse.ac.uk/granthaminstitute

Read the full report at:

www.lse.ac.uk/granthaminstitute/publications



Alina Averchenkova is Distinguished Policy Fellow and the lead for the Governance and Legislation research theme at the Grantham Research Institute and CCCEP. Sandra Leticia Guzman Luna is a doctoral student in Politics at the University of York and a Coordinator of the Climate Finance Group for Latin American and the Caribbean (GFLAC).

This work was made possible with a grant from the European Climate Foundation, a Dutch-registered philanthropic organisation that helps deliver a socially responsible transition to a sustainable economy in Europe and around the world. The authors further acknowledge financial support from the Grantham Foundation for the Protection of the Environment, and from the UK Economic and Social Research Council through its support of the Centre for Climate Change Economics and Policy.

The authors are grateful to the 15 government officials, politicians, industry stakeholders and policy experts who participated in formal interviews. Their insights form the core of this report. Expert research assistance was provided by Jaime Giacomozzi and Patricia Yagüe-García. The authors are also grateful for detailed review comments from Sam Fankhauser, Irene Lorenzoni, Kathy Hochstetler and Carlos Tornel and for further feedback from Elsa Özmen. Georgina Kyriacou edited and produced this brief.

The authors declare no financial relationships with any organisations that might have an interest in the submitted work in the previous three years and no other relationships or activities that could appear to have influenced the submitted work.

This policy brief is intended to inform decision-makers in the public, private and third sectors. It has been reviewed internally and externally before publication. The views expressed in this brief represent those of the authors and do not necessarily represent those of the host institutions or funders.

We encourage the wide use of this document. All permissions request should be directed to the Grantham Research Institute on Climate Change and the Environment.

© The authors, 2018. Published by the Grantham Research Institute on Climate Change and the Environment and Centre for Climate Change Economics and Policy, 2018