Pascal and Alva in Energy Advisor: What Will Become of AMLO's Power Sector Reforms?

By Larry B. Pascal, Carlos Alva | February 23, 2024

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Haynes Boone Partner Larry Pascal and Associate Carlos Alva were quoted in an interview in the February 23, 2024 edition of *Energy Advisor*. Read an excerpt below.

***Energy Advisor*:** Mexico's Supreme Court on Jan. 31 struck down provisions of President Andrés Manuel López Obrador's landmark 2021 power sector reform. The high court sided with companies that had sought an injunction against the law, arguing that its favoring of state-owned power company, Comisión Federal de Electricidad, or CFE, over private power companies violated constitutionally protected principles of free competition. What are the implications of the ruling for the CFE and for private power providers, including ones that generate renewable energy? What does the high court's action mean for the trade dispute that the United States launched against Mexico in 2022 over the reforms? How will the ruling affect Mexico's electricity consumers?

Pascal and Alva: "The Mexican Supreme Court decision brought a rebalancing of interests to the Mexican power sector by striking down aspects of the 2021 energy reform designed to favor CFE and the fossil fuel energies it predominantly relies upon. The decision is a positive development for private renewable power generators and may prompt them to reconsider investing in Mexico, thereby advancing Mexico's energy transition goals and its Paris Agreement commitments. With respect to the related disputes between the United States and Mexico, the decision provides more clarity for foreign investors. For the U.S. government, the court decision may enable it to avoid requesting a panel to review the 2021 energy reform measures, particularly given the other pressing bilateral issue of controlling migrant crossings at the border. To this effect, the United States may elect to continue its bilateral consultations on this matter with Mexico until the energy policy is formally changed through a repeal of the law or the investments by all American companies are otherwise respected by Mexico through some other accord or measure. Although the court ruling does not directly affect household users (since CFE is the only basic service supplier), for commercial and industrial users that source their energy through clean energy generators, the ruling means that there are still opportunities for their energy supply distinct from CFE. As CFE will not have the preponderance of electricity dispatch (and therefore a monopoly) through its power plants, users will be more able to turn to clean energy generators for the supply of their electricity."

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