

Pascal and Alva in Latin America Advisor on Latin America's Dependence on Hydropower

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Haynes Boone attorneys [Larry Pascal](#) and [Carlos Alva](#) participated in *Latin America Advisor's* featured Q&A, answering the question: Does Latin America depend too heavily on hydropower?

Q: Latin America is the most hydro-dependent region on the planet, with hydroelectricity accounting for more than 60 percent of the domestic power supply in Brazil, Colombia, Ecuador, Venezuela, Costa Rica, Panama and Paraguay, according to the International Energy Agency. What benefits and drawbacks come alongside the region's heavy dependence on hydroelectric power? As climate change intensifies, what can state and private actors do to safeguard power-sector reliability in countries reliant on hydroelectricity? What role should hydroelectricity play in plans to boost renewable energy capacity in Latin America?

A: The reform marks an important reversal of the market-opening measures adopted by former President Enrique Peña Nieto in 2013. The recent changes classify Pemex and CFE as "Public State Companies" and extend their influence in the market, particularly regarding CFE. The reforms could create uncertainty for private investors and risk affecting President Sheinbaum's own ambitious energy transition plans. In particular, the reform contemplates first dispatching the energy produced by CFE plants over that of private generators. It is too early to conclusively predict the reform's impact on private investment, but at a minimum, it creates uncertainty for private investors, including as to the workings of the dispatch rules as mentioned above.

However, President Sheinbaum, an accomplished scientist and the first woman to serve as Mexico's president, maintains that all existing contracts with private generators will be maintained and that informational sessions will be scheduled with investors to explain the reforms in more detail. Some investors may be concerned that the reforms favor CFE and violate the nondiscrimination provisions of the USMCA. That said, the reforms do not eliminate the role of the private sector in the Mexican energy sector, and it is likely that Pemex and CFE will continue to seek to develop energy projects with private parties (for example, the Mayakan gas pipeline with Engie, the natural gas processing and liquefaction rigs in Altamira with New Fortress, and the Puerta al Sureste gas pipeline with TC Energía).

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