



Roadmap on the Transition Away from Fossil Fuels in a Just, Orderly and Equitable Manner.

- a) What are the most critical barriers — whether physical, economic, financial, institutional, technological or social— preventing a transition away from fossil fuels?

R= From Mexico's perspective, energy transition faces structural, economic and institutional barriers.

- The high reliance on road-based transportation increases the sensitivity of fuel prices, with direct effects on inflation and essential goods prices, which influences the pace and social acceptability of the transition.
- Differences remain in the consistency of economic signals. Variations in price signals may create relative incentives that do not necessarily favor lower-carbon alternatives, limiting the efficiency and cost-effectiveness of the decarbonization process.
- In addition, the economy exhibits structural dependence on fossil fuels in key sectors, including those linked to energy production and public revenues. Transition in these sectors may have implications for economic activity, employment and public finances, requiring an orderly and gradual approach. Together with fiscal constraints, this makes it more difficult to advance toward an orderly transition, which requires clear regulatory frameworks and alignment between economic, social and environmental objectives.

- b) What potential levers, whether economic, financial, institutional, social or technological, exist for accelerating the implementation of the transitioning away commitment?

R= Accelerating the transition requires turn on a set of structural, economic and policy-related levers that address country-specific constraints.

- Advancing the gradual transformation of sectors with high dependence on fossil fuels, particularly transportation and energy production, through investments in infrastructure, clean technologies and lower-carbon alternatives.



- Managing the economic and social impacts of the transition, considering the sensitivity of energy prices on inflation and essential goods, as well as their implications for employment and economic activity, through mechanisms that enable an orderly and gradual transition.
- Reducing dependence on fossil fuels in sectors linked to energy production and public revenues through processes of economic and energy diversification.
- Ensuring clear regulatory frameworks that provide conditions of certainty and facilitate the mobilization of investment.
- Strengthening sustainable finance frameworks to facilitate the allocation of resources toward activities aligned with the transition, including the use of Mexico's sustainable taxonomy to guide investment.

c) What country, regional or sector roadmap experiences, best practices, and lessons learned can be shared?

R=Mexico's experience has combined different policy approaches to address the transition in a context of structural dependence on fossil fuels.

- One key lesson is that the effectiveness of economic instruments depends not only on their design, but also on their interaction with other policies. In particular, the coexistence of multiple carbon pricing instruments across jurisdictions may generate fragmented signals, limiting the efficiency and cost-effectiveness of mitigation efforts while creating differentiated incentives across sectors. In this context, Mexico has promoted inter-institutional efforts to strengthen the coordination of carbon pricing instruments and improve the consistency of economic signals.
- Another lesson is the importance of the gradual implementation of measures, through the sequential introduction of different climate policy instruments with differentiated functions, in line with national circumstances. This approach has enabled the management of impacts on inflation, economic activity and vulnerable groups, while facilitating adaptation across sectors. Experience also highlights the need to manage short-term volatility in energy prices. In contexts where fuel prices have significant effects on inflation and essential goods, policy frameworks may incorporate mechanisms to smooth these fluctuations and mitigate macroeconomic impacts.



- Addressing structural constraints, such as dependence on road-based transportation and fossil fuel-related activities, requires a combination of infrastructure investment, including the development of strategic projects in energy and transport, technological change and sectoral policies, rather than relying on a single instrument.
- Mexico has a national infrastructure planning framework in sectors such as energy and transport, which contributes to addressing structural constraints for the transition, together with instruments such as the sustainable taxonomy that help guide investment.
- Overall, Mexico's experience suggests that transition pathways should be adapted to national circumstances, balancing environmental objectives with economic and social considerations, and taking into account both structural and short-term effects, supported by instruments that facilitate the mobilization of sustainable finance, such as Mexico's sustainable taxonomy.

d) How can a just, orderly and equitable transition best reflect the diverse realities of countries at different stages of development and with different degrees of dependence on fossil fuels?

R= A just, orderly and equitable transition requires recognizing that countries face different structural conditions, levels of development and degrees of dependence on fossil fuels. Transition pathways should therefore be flexible and allow for country-specific approaches that reflect these differences.

- In economies where energy prices have relevant effects on inflation, employment and economic activity, the pace and sequencing of the transition need to be carefully managed to preserve social and macroeconomic stability.
- Differences in fiscal space and institutional capacity also influence the ability to finance infrastructure, promote technological change and implement social protection measures necessary to sustain the transition over time, as well as the scope and design of instruments implemented in each country.
- In this context, a just and orderly transition is supported by policy frameworks that allow for a combination of instruments, adapted to national circumstances, and that favor gradual implementation with a clear long-term direction.