

**THE CHALLENGES AND OPPORTUNITIES IN THE LATIN
AMERICAN REGION TO ADDRESS JUST TRANSITION
WITHIN THE ENERGY SECTOR: CASE STUDY IN MEXICO.**

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CONCEPT DEVELOPMENT: “CREATIVE DESTRUCTION”

- Schumpeter:

Creative destruction: “the process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one.”

Wooden ships → Steel ships

- Wagon → Trains
- Railways → Highways
- Writing machines → computers
 - Mail → Internet
 - Phones → Mobiles



JUST ENERGY TRANSITION; THE CONCEPT

- **Transition**
 - An energy / economy transition towards achieving the **1.5°C Paris Agreement goal**
- **Just transition**
 - Addresses legitim social concerns by more vulnerable communities, of particularly on emerging and developing economies;
 - Addresses the potential negative impacts in the most vulnerable sectoral workers' and local communities.
- **...but, not only the transition must be just...**
 - To transit from the current unequal reality towards **a more fair and equitable society is possible** with the new energy producing technologies.



JUST ENERGY TRANSITION; THE CONCEPT



- Cynthia Mellon:

“...the just transition is a principle, a process and a practice. It is not only about demands, it is also about the debate process and the relationship to understand the system that we want to leave, and **to discuss with respect and collectively what we want to build up**. It is a complete process of questioning the production and consumption patterns, it is a relationship of building community. **The just transition is also about where we want to go and how**”.



THE JUST TRANSITION IS ONLY POSSIBLE AS A RESULT OF A PARTICIPATORY PROCESS



❖ **The main challenge:**

- Vested interest in the **status quo**.
- **Communities dependent** on fossil fuels value chain.

❖ Acknowledge that **not all will be satisfied** with the outcomes

- Common good to prevail.

❖ The institutional change shall happen under an equity and justice approach, and it needs:

- To address all stakeholders concerns.
 - To assess different scenarios
 - Understand **costs and benefit distribution**
 - Implement **mitigation and compensation schemes**
 - Set up a **flexible roadmap**



A JUST ENERGY TRANSITION REQUIRES...



Change of narrative...

...it is about development

Understand the context...

...to launch an adequate action plan

To create relevant alliances and partnerships...

...to be legitime

Set up the rules ...

...for an efficient participatory process



THE ENERGY SECTOR IS A KEY MARKET IN ALL ECONOMIES

- The transition **opens market niche opportunities.**
- **Renewable energies will dominate** energy markets.
- There are **technological development** opportunities.
- **New value chains consolidation** is still happening.
- **Tech R & D with high potential** to be realized in markets
- RE has the potential to create **more jobs** per energy produced unit
- RE will reduce the public spending required in **health and environment.**



LATINAMERICA

A DEVELOPMENT ISSUE

- Technologic **transition is happening** and the region has capacities to **play a role** in new markets.
- **Accelerate** the transition is good for **climate** and for **competitiveness in global** markets,
- **Stranded assets** without a **withdraw strategy** could become an additional **economic and social burden** for the countries in the region.
- In Latam, RE share in the total energy mix is the highest, due to hydro.
 - New additional investment is required in the grid, to open space to other renewables.
 - Hydro capacity can be negatively impacted by climate change.
- A regional challenge in JT: How to creat safety nets for the most vulnerables when few have it? There is **high. inequality**



LATINOAMERICA: MEXICO

- Mexico has been active in climate change: EIG, COP 16, CC Law, Report, NDC, etc.
- Mexico is signatory of Past coal alliance (OECD 2030 no more coal)
- 3 coal power plants (<6% generation).
- One coal mining region (around 3,000 families) North Coahuila.
- One project on exploring pathways for sustainable development in the region to invest in creating the conditions for a just transition in the region.
- In these scenarios, coal mining and power plants phase out will be considered by 2030, as Mexico's commitment stands for.
- All scenarios mainly explore on those sectors best positioned to deliver sustainable economic activities.



LATINOAMERICA: MEXICO

- The main objective of the project is to promote an open and informed dialogue on the different potential options for the region.
- The current government has guaranteed to the local coal mining continuing purchasing their production to feed the three coal power plants - all state owned.
- This measure could be compatible with Mexico's international commitments, up to 2030, if there is a JT strategy.
- Coahuila has a large solar energy potential, plus water management and other economic sectors.



¡GRACIAS!



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