



December 12, 2008

Mexico Sets Greenhouse Cut Of 50 Percent By 2050—If Aid Provided

BY CHRIS HOLLY

POZNAN, Poland—In a bold signal to the developed world that it is willing to share the burden of tackling climate change, the government of Mexico announced Thursday it will reduce its economy-wide greenhouse gas emissions by 50 percent below 2002 levels by 2050 if it receives technological and financial support from developed countries.

Meeting with reporters at the United Nations Climate Change Conference here, Mexican Environmental Minister Juan Rafael Elvira and Vice Minister of the Environment and Natural Resources Fernando Tudela said Mexico plans to achieve the aggressive targets primarily by linking its oil, cement, electricity and steel sectors in a national “trans-sectoral” emissions cap-and-trade program they said would be operational by 2012.

“Energy is essential to economic growth and social opportunity, and the government of Mexico also realizes that without carefully designed regulations and programs, that growth can come at a cost to the climate and the economy,” Elvira said.

“We think it is very important to get results from this project...to show other developing countries it can be done. We don’t have to wait for [industrialized countries] to act. We need to do it now.”

Full details of the program will be unveiled in February by Mexican President Felipe Calderon, but Tudela, who has been a prominent figure in the U.N. climate change negotiations over the past decade, said it would include a significant expansion of natural gas cogeneration, the installation of 2,500 megawatts of wind generation and 2 million square meters of

solar water heating in the commercial and residential sectors between 2008 and 2016.

Significantly, Mexico's legislature last month approved sweeping legislation giving Calderon broad authority to implement the program, which suggests that political opposition to the emission reduction plan from the industrial sectors has been neutralized.

Tudelo said, however, that the cap-and-trade program will have "safety valves"--likely in the form of allowance price caps--to ensure that in its early stages the program won't harm the Mexican economy.

"We don't want to stumble or this experiment will backfire," he said. "We want to prove that a country like Mexico can expand its economy, develop and at the same time take significant action against climate change."

Tudelo stressed that the assistance Mexico is seeking would not be in the form of grants or other direct payments, but in loans to speed deployment of green technologies and assistance in reforming its banking regulations to streamline the financing for energy efficiency improvements, for example.

The architecture of Mexico's plan draws heavily on research by the Washington, D.C.-based Center for Clean Air Policy (CCAP), which is collaborating with the Mexican government on the overall design of the program and the implementation of regulations to reduce emissions from the four industrial sectors.

In general, the sectoral targets will be set at a level beyond what Mexico can achieve unilaterally, with the expectation that financial and technical assistance from developed countries will help Mexico meet the ambitious goals, CCAP President Ned Helme said.

Preliminary results of a CCAP global study released here Thursday suggest there is great potential for reducing emissions from Mexico's cement and oil refining industries, in particular.

For cement, reductions can range between 5 and 9 percent by 2020, and grow to 22 percent below business-as-usual levels depending on the amount of international assistance, the CCAP analysis concluded.

Additionally, CCAP said Mexico's oil refineries have the potential to reduce emissions by 5 to 11 percent by 2020, and by as much as 19 percent if sufficient assistance materializes.

Further, CCAP said Mexico over the next eight years could build as much as 3,000 MW of high-efficiency cogeneration with loans from the international community, cutting demand for fossil fuel-fired power and slashing emissions by another 9 million metric tons, more than double the potential reductions from refineries.

The targets for each sector will be based on reductions in carbon intensity, the amount of carbon emitted per unit of production. If the sectors improve their carbon intensity beyond a certain level, the resulting emissions reductions can be sold to other sectors in the program. The approach is similar in some respects to the nitrogen oxides emissions control regime in place in the U.S. Northeast, Helme said.

The Mexican plan meshes nicely with the rough blueprint--agreed upon in climate change talks last year in Bali--for crafting a new climate treaty to take effect after 2012, when the emission-reduction mandates of the Kyoto Protocol expire.

The so-called Bali "road map" envisions a scenario in which developed countries commit to sharp emissions reductions and to provide significant financial and technological support to help developing countries to make significant reductions in their own emissions.

When the next round of talks begins a year from now in Copenhagen, negotiators hope to assemble sets of emissions and financial commitments from developed countries, and commitments from the largest developing countries tied to the financial and technological assistance, to form the backbone of a new treaty.

The Mexican announcement comes on the heels of Brazil's pledge last week to reduce emissions related to the destruction of its Amazon rain forest by at least 50 percent in 10 years. Over the past year, other major developing nations such as China and South Africa have put forward national climate change plans that spell out specific commitments,

expressed in energy efficiency improvements or sharp increases in electricity generation from renewable energy resources.

These developing country pledges are eroding a principle argument of congressional opponents of U.S. participation in a new climate change treaty—that rapidly emerging economies will never agree to take on emission reduction commitments and that the United States, if bound by a treaty, would be at a competitive disadvantage in the global marketplace.

CCAP research indicates, however, that climate-friendly actions announced by China, Mexico and Brazil will result in cumulative emissions reductions by 2010 that are comparable to the reductions the European Union would achieve if it reduces its emissions by 30 percent below 1990 levels by 2020.

“What you have are major emerging economies finally at a place where they’re willing to talk seriously about major emissions reductions,” said Jake Schmidt, international climate policy director for the Natural Resources Defense Council. “What we don’t have are the other pieces of the [Bali] agreement—the developed country targets and the financial incentives for further action.”