

March 24, 2014

Comments from Spain— Approval by mail - Mexico: Geothermal Financing and Risk Transfer Facility (IDB) CTF

Dear CTF-TFC colleagues:

Spain welcomes the progress made in the allocation of resources to projects included in the CTF Investment Plan in Mexico and also under the new private sector dedicated “Utility –Scale Renewable Energy” program.

As already pointed out in CTF TFC meeting in Washington may 13, Mexico has a really high potential in geothermal field. In recent years, Mexico has been supporting the development of alternative energy sources, with significant efforts from the governmental side. Although remaining an important oil-producing country, the Energy Reform passed in Mexico late 2013, opened the door to focus on other energy sources, including geothermal.

One of the problems we had mentioned in the past is that some of the main agents in the energy sector, even Energy Regulatory Commission (CRE) and the Department of Energy, recognized that Mexican law regarding the use of geothermal resources had many gaps . To address these regulatory deficiencies, an Energy Reform has been approved and it foresees (transitorio decimoctavo) that Congress should pass a law to regulate the exploration and exploitation of geothermal resources for electricity generation. This is expected to become a reality soon. That highlights the importance that both, the Government and the Legislative Authorities , give to this alternative energy source. We should not forget that Mexico currently ranks fourth in the world in production of electricity from geothermal energy (behind the U.S., the Philippines and Indonesia), according to the Mexican Geothermal Association .

There are only few studies and measurements of heat flow in the soil and in addition to this, the economic costs at the exploration stage are very high. That entails high financial risks, making it difficult for the private sector to access to credit. Therefore, we consider of great interest the support scheme for geothermal proposed in the document, highlighting that the intermediation work of NAFIN will undoubtedly be of great help, as it has proven to be in the energy field in recent years .

Therefore we are glad to approve the proposal,
Best regards
Aize

Aize Azqueta Quemada

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