Summary

Mexico ranks last, tied with Turkey and the UK, out of the G20 Organisation for Economic Cooperation and Development (OECD) member countries. It continues to provide significant support for oil and gas production and fossil fuel-based power, especially through state-owned enterprise (SOE) investments. It also heavily supports consumers of fossil fuels through direct budgetary transfers and tax expenditures.

BIGGEST RED FLAG → Mexico’s largest support measure for fossil fuels is SOE investments, at USD 13.3 billion annually (2017–2019 average). This investment is predominantly provided by PEMEX, Mexico’s oil and gas SOE, for oil and gas production.

PROGRESS → Mexico reduced its overall support to fossil fuels by 21% relative to the 2014–2016 average. This was mostly due to a drop in SOE investment by 37% relative to the 2014-2016 average, predominantly in oil and gas production.

Government support to fossil fuel use also dropped by 30% over the period. Mexico has
enacted sweeping energy sector reforms since 2013, which eliminated certain subsidies for the consumption of gasoline and diesel through the country’s floating excise tax (IEPS) (OECD, 2020a; Wood, 2018). Support for fossil fuel-based power, however, increased by 17% relative to 2014–2016 averages through increased electricity price support.

**MAIN UNACCOUNTED FOR AND UNQUANTIFIED SUPPORT** → Several fossil fuel production subsidies were introduced in 2019 that are not accounted for in this report. These include increasing the limits of cost expenditure and investment deductibility for PEMEX’s shared profit rights, partially absorbing PEMEX’s debt and supporting the construction of the new Dos Bocas oil refinery in Tabasco (OECD, 2020a). In total, these supports amounted to more than USD 9 billion in 2019 (OECD, 2020a).

**COVID-19 GOVERNMENT SUPPORT** → The Mexican government has provided a USD 3 billion tax break on oil extraction in order to offset plummeting oil prices and ensure PEMEX continues to invest in oil and gas exploration and production (Energy Policy Tracker, 2020; Nava, 2020).

**TRANSPARENCY & PEER REVIEWS** → Mexico published a G20 peer review of its fossil fuel subsidies with Germany in 2017 (OECD, 2019). Mexico reports and quantifies its fossil fuel consumer subsidies through the Ministry of Finance annually, but transparency on production subsidies remains poor.

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**References**


