The Coalition of Finance Ministers for Climate Action

Live transition risks: the impacts of climate action on state-owned enterprises, and the use of qualitative and causal-link approaches in addressing challenges

Mexico—Ministry of Finance

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Summary of key challenges and live policy debates

Mexico's medium- and long-term economic planning takes into account the promotion of sustainable growth, the reduction of social disparities, and the mitigation of the effects of climate change. Transition-related issues have been among the main key challenges for state-owned enterprises (SOEs) and their linkage to fiscal revenues, with points to be noted particularly in sectors related to the chemical industry and hydropower. For instance, SOEs in the energy sector face huge challenges in the adoption of greener technologies for technology adoption with fiscal stability lag. Chemicals, being among the interlinked industries in almost all manufacturing processes, have to square high technology adoption costs with the need to spur innovation for productivity and climate gains. In addition, a further dimension of adding the hydro sector is in addressing water resource management and environmental concerns as part of transitioning into sustainable practices.

Using qualitative and causal link approaches to address challenges

To address all the above challenges, Mexico uses qualitative analysis and causal link approaches for understanding and mitigating the impacts of climate change. For example, these approaches can be applied to ascertain how a certain industry, say the chemical industry, which contributes a major share to national GDP and is extensively linked with other sectors, adopts climate policies, the effect of such policies, and the manner in which they can influence the productivity and environmental footprint of the sector. In the case of hydropower, analyses of these causal links could be applied to aid understanding of the relations between water resource management and energy production. These analyses help policymakers come up with targeted strategies that ensure economic growth is achieved sustainably.

Data and other barriers

Despite efforts to address the above challenges, there are major issues regarding data availability and accuracy, which act as an impediment to policy implementation. One of the major barriers is a lack of indicators and metrics that can be used in monitoring resources, e.g., water and minerals, especially in emerging industries such as green hydrogen production. Other barriers are institutional: these include resistance to change in established industries and the need for capital-intensive investment in new technologies. Mexico's concerted effort goes a long way toward achieving better data collection and analysis, an improvement in the regulatory environment, and public-private cooperation in sustainable development goals.