ECONOMIC ANALYSIS OF PUBLIC POLICY INFLUENCE ON WIND ENERGY ELECTRICITY GENERATION IN MEXICO

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Research Objective

Contrast of the current policy mix and structure of the Mexican Electricity Market, consisting on Competitive Auctions with Tradable Green Certificates, to an alternative combination of Competitive Auctions with Feed-in Tariff, assessing social benefits and economic impact of both schemes.

Finally, given the geographical proximity and market similarities, data from the United States is incorporated to estimate possible electricity prices in Mexico, performing a Monte Carlo Simulation with 1,000 trials.

Results


Complemented with macro economical variables, capital expenditures and cases from more mature electricity markets to estimate market conditions, in accordance with integration targets.

Conclusion

Considering that WACC presents a higher impact on investment than a subsidy, project developers should look after adequate asset finance structure.

The Mexican Government should focus on providing stable and reliable economical and political conditions for investment.

The amount of taxes collected under a Feed-in Tariff is greater but does not justify subsidy expenditure, thus, the current policy mix is the best option to achieve the set objectives.