The context

- **Foundations of global energy system shifting**
  - Resurgence in oil & gas production in some countries
  - Retreat from nuclear in some others
  - Signs of increasing policy focus on energy efficiency

- **All-time high oil prices acting as brake on global economy**
  - Divergence in natural gas prices affecting Europe (with prices 5-times US levels) and Asia (8-times)

- **Symptoms of an unsustainable energy system persist**
  - Fossil fuel subsidies up almost 30% to $523 billion in 2011
  - $CO_2$ emissions at record high, while renewables industry under strain
  - Despite new international efforts, 1.3 billion people still lack electricity
Emerging economies steer energy markets

Global energy demand rises by over one-third in the period to 2035, underpinned by rising living standards in China, India & the Middle East
The surge in unconventional oil & gas production has implications well beyond the United States.
Unconventional gas in Mexico

Keep development costs down, but recognize social and environmental impacts and public perception risks.
Iraq oil poised for a major expansion

*Iraq accounts for 45% of the growth in global production to 2035; by the 2030s it becomes the second-largest global oil exporter, overtaking Russia*
By 2035, almost 90% of Middle Eastern oil exports go to Asia; North America’s emergence as a net exporter accelerates the eastward shift in trade.
Natural gas: towards a globalised market

Major global gas trade flows, 2035

Rising supplies of unconventional gas & LNG help to diversify trade flows, putting pressure on conventional gas suppliers & oil-linked pricing mechanisms
Different trends in oil & gas import dependency

While dependence on imported oil & gas rises in many countries, the United States swims against the tide.
The need for electricity in emerging economies drives a 70% increase in worldwide demand, with renewables accounting for half of new global capacity.
The multiple benefits of renewables come at a cost

Renewable subsidies were $88 billion in 2011; over half the subsidies required to 2035 has been committed to existing projects or is needed to meet 2020 targets
Energy is becoming thirstier in the face of growing water constraints

The energy sector’s water needs are set to grow, making water an increasingly important criterion for assessing the viability of energy projects.
Two-thirds of the economic potential to improve energy efficiency remains untapped in the period to 2035.
Economically viable efficiency measures can halve energy demand growth to 2035; oil demand savings equal the current production of Russia & Norway.
Energy efficiency brings economic gains

In addition to cutting energy expenditures by an average of 20%, improved efficiency brings wider economic gains, particularly for India, China, the United States & Europe.
Energy efficiency can delay “lock-in” of CO₂ emissions permitted under a 2 °C trajectory – which is set to happen in 2017 – until 2022, buying five extra years.
Greater efforts are needed to tap the full potential that Mexico’s energy sector can bring to the economy as a whole.

Reforms need to tackle persistent blockages:

- lack of investment and technology,
- fossil fuel subsidies
- hurdles to the deployment of low-carbon technologies

A reformed energy sector can serve as a locomotive for growth.

Successful reforms could turn Mexico into an influential voice in global energy reform discussions.