



National Electric Mobility Strategy

Sánchez Devanny | July 10, 2023

On June 20, 2023, the Preliminary Draft Resolution issuing the National Electric Mobility Strategy (the "ENME") was published on the website of the National Commission for Regulatory Improvement ("CONAMER"). Said regulatory proposal is in the process of Regulatory Impact Analysis, due to the fact that CONAMER rejected the exemption request submitted by the Ministry of Environment and Natural Resources (the "SEMARNAT"). Currently there is the possibility of issuing comments through [this link](#).

Below is our summary of the most relevant aspects of this Draft. At Sánchez Devanny we understand the importance of having a cutting-edge electric mobility strategy for the country; thus, we will be involved, monitoring and reporting on its development.

SYNTHESIS OF THE ENME CONTENT

The ENME has its origin in the 2021-2024 Special Climate Change Program¹ (the "Program"), published by the SEMARNAT in the Federal Official Gazette on November 8, 2021 (derived from the General Climate Change Law), as well as in the international commitments that Mexico has assumed in terms of electric mobility. Such commitments include the Paris Agreement, the Driving Change Together Declaration signed at COP 24, and the Declaration for the promotion of electric vehicles at COP 26 and 27 as part of the Glasgow Pact.

The Program is a planning instrument through which the country's comprehensive development priorities are established in accordance with the National Development Plan, in order to implement actions to address the negative impacts of climate change.

Under action 2.2.1 of the Program the preparation of the ENME, shall be under the responsibility of the SEMARNAT, with the participation of various government authorities, international organizations and the public administration, as well as non-governmental entities and the private initiative.

The ENME is an effort of the Mexican State to promote sustainable and inclusive development, to promote and position electric mobility at the national level as a viable and sustainable alternative, in order to promote the mitigation of greenhouse gases ("GHG") and black carbon in the land vehicle transport sector. Therefore, in compliance with the applicable legislation and the Program, SEMARNAT prepared the ENME.

Mobility and transportation are necessary activities for the development of populations. However, these activities are currently linked to the use of fossil fuels, which has contributed to the increase in GHG emissions, which cause climate change.

In electric mobility, a socially and environmentally viable option has been found that addresses the problem of high levels of air pollution and GHG, which cause climate change. Therefore, the Mexican government, through the ENME, sought to establish a strategy to improve mobility conditions and quality of citizens' lives, and comply with commitments at the international level to work against climate change.

The ENME is a public policy document prepared by SEMARNAT that identifies priority actions to determine technical, technological, financial, legal, institutional, administrative and incentive conditions that allow for an orderly and equitable transition, with multiple goals in the short, medium and long term, through sustainable mobility schemes that reduce dependence on hydrocarbons.

The effective implementation of the ENME will play a crucial role in reducing GEI to meet its goals, better known as Nationally Determined Contributions (NDC).

Currently, more than a quarter of global energy emissions are caused by the transport of people and goods. Additionally, in the projections for the year 2050, it is estimated that transportation is the component that generates the greatest growth in emissions, with an estimated increase of 70%.

¹ For reference purposes: https://dof.gob.mx/2021/SEMARNAT/SEMARNAT_081121_EV.pdf

The National Inventory of Emissions of Greenhouse Gases and Compounds in its last update, 1990-2019², indicates that the second greatest emission source is transportation.

Likewise, the 2019 National Air Quality Report of the National Institute of Ecology and Climate Change ("INECC")³ indicates the percentage of days of the year of the Cities and Metropolitan Areas in Mexico that failed to meet at least one Official Mexican Air Quality Standard. There is evidence that the Metropolitan Area of Guadalajara and the Metropolitan Area of the Valley of Mexico are the areas that most failed to comply with at least one Air Quality Standard. This has various effects on the quality of life, health, social security conditions, and other problems for said populations.

ENME is an instrument to accelerate Mexico's transition to electric mobility with low GHG emissions, which, in turn, helps maximize social and environmental benefits, prioritizing public transport for the benefit of the population in general.

It is important to emphasize that ENME needs to be aligned with other strategic national policies, among which are mentioned "Lithium for Mexico", "Sonora Sustainable Energy Plan", the General Law on Mobility and Road Safety, and the diagnoses and recommendations of the automotive industry.

- Diagnosis

The ENME contains a diagnosis of the current conditions in Mexico, noting that for the transition process it is important to generate a critical mass of plug-in hybrid electric vehicles and electric vehicles, to trigger their participation in the market at a public and private level.

It is identified that in Mexico there is a need to strengthen electric mobility, through tax incentives, as other countries in Latin America and the world have done, and to promote and strengthen public transport, migrating to electric public transport.

The automotive sector has a preponderant role for Mexico and its links with the exterior, since it is a very attractive sector for foreign investment. Therefore, Mexico will have various challenges for the implementation and transition to electric mobility, such as: the alignment of policies and actions regarding transportation and mobility at the federal, state, and municipal levels; strategic orientation of incentives to favor vulnerable groups; equitable development of an efficient market; consensual and responsible design of standards and regulations to promote the transition, as well as the paradigm shift to sustainable mobility at the national level.

- Clean energy and electromobility

The ENME establishes that, as part of the efforts of the Mexican state, actions shall be carried out to promote the generation of power through clean sources, in recognitions of the goals in which Mexico is internationally committed, as well as the percentages of generation established in the National Electric System Development Program (PRODESEN 2022).

The ENME also establishes that the key to renewable energy in mobility lies in the storage capacity of lithium batteries for the use of zero-emission or electric vehicles, as well as the generation of clean energy to recharge these batteries.

In 2022, the decentralized public entity Lithium for Mexico was created, with which it is planned that this resource be used in the production of semiconductors and batteries, while promoting the exploration, exploitation and national benefit of the mineral in the Mexican territory. The Sonora Plan shall be working to promote that the complete cycle of electric mobility is clean from the energy matrix.

Although the area of greatest interest due to its identified potential is currently Sonora, exploration is also being considered in other places in Mexico. Public-private financing derived from strategic alliances with different countries is expected for its exploitation, ensuring technology transfer to Mexico and the development and professionalization of specialists and technical personnel.

- Current Tax Incentives

The ENEM includes the Current Tax Incentives for electric mobility:

- a. Exemption from the New Car Tax for electric and hybrid vehicles.
- b. Income Tax ("ISR" as per its acronym in Spanish) deductibility of the investment in green cars for up to MXP\$250,000.00 (around USD\$14.7k), broader than what is allowed for conventional vehicles, which is limited to MXP\$175,000.00 (around USD\$10.2k). Deduction of 100% and in a single exercise of the investment in equipment for the generation of energy from renewable sources.
- c. Stimulus for investments in electric vehicle charging stations (the "Investments"), consisting in applying a tax credit equivalent to 30% of the amount of the investments carried out during the fiscal year, against the ISR charged in the fiscal year in which the tax credit is determined. Deduction of up to 25% of investments in conventional bicycles, bicy-

² For reference purposes: <https://cambioclimatico.gob.mx/inventario-nacional-de-emisiones-de-gases-y-compuestos-de-efecto-invernadero-2/>

³ <https://sinaica.inecc.gob.mx/archivo/informes/Informe2019.pdf>

cles and motorcycles whose propulsion is through rechargeable electric batteries. Deduction of up to MXP\$285.00 (around USD\$17.00) per day per car for the temporary use or enjoyment of cars whose propulsion is through rechargeable electric batteries, as well as electric cars that also have an internal combustion engine or a hydrogen-powered engine.

- d. Temporary exemption of tariff fractions for electric vehicles (applicable as of September 4, 2020 up to September 30, 2024).
Purposes and Goals

The general purpose of the ENME is to establish the environmental, technical, financial, legal, institutional and administrative bases and guidelines that allow electric mobility to be positioned at the national level, as a viable and sustainable alternative for the effective reduction of GHG and other polluting emissions.

Likewise, it includes a series of ENME 2030-2050 goals, taking into account studies and projections made by INECC. The international goals for the decarbonization of the transport sector require considerable efforts from various participants, and imply the mass production of electric and hybrid vehicles (light and heavy), as well as the deployment of infrastructure for their operation.

The goals of the ENME are the following:

By 2030:

- a. The sale of light and heavy vehicles shall be of 50% zero emission units, integrated by electric and plug-in electric hybrid vehicles.
- b. The electrification of transport shall contribute to a cumulative reduction of 30 million tons of equivalent carbon dioxide (MtCO₂e) by 2030, which, based on current trends, is considered to be achieved thanks to the introduction of at least 7 million light vehicles (21.3 MtCO₂e) and 338,000 heavy vehicles (2.8 MtCO₂e for electric buses and 5.8 MtCO₂e for electric cargo vehicles), in the period from 2022 to 2030.

- c. The ten cities and urban areas in the country with the highest GHG emissions and short-lived climate pollutants (CCVC) shall have incorporated electric vehicles into their public transport systems.
- d. A public electric charging system shall be developed for light and heavy electric vehicles, both in cities and on the main highways of Mexico.
- e. Regulations for the standardization of electric chargers shall be promulgated

By 2040:

- a. 100% of the sales of light and heavy passenger vehicles shall be electric and plug-in electric hybrid vehicles.
- b. Contribute to a cumulative reduction of 129 MtCO₂e by 2040, which shall be achieved thanks to the additional introduction to the fleet by 2030 of 22 million light vehicles (75.8 MtCO₂e) and 894,000 heavy vehicles (7.6 MtCO₂e from electric buses and 15.3 MtCO₂e from electric charging vehicles).
- c. There shall be a system of sufficient, open and standardized electric chargers in the 10 main cities of the country for light and heavy vehicles.
- d. There shall be a system of sufficient, open and homologated electric chargers on federal highways, both for light and heavy vehicles.

By 2050:

- a. 100% of the sales of light and heavy passenger vehicles shall be electric vehicles.
- b. To be possible to reduce cumulatively in the period 2022 to 2050, 272 MtCO₂e, which shall be achieved thanks to the additional introduction to the 2040 fleet of 31 million light vehicles (117 MtCO₂e) and 987,000 heavy vehicles (8.4 MtCO₂e for electric buses and 17 MtCO₂e for electric cargo vehicles).
- c. An electrical system for heavy electric vehicles (cargo) shall be consolidated on the country's strategic highways.



- Strategic axes and actions

The 8 sectoral and transversal axes are described below with the main actions proposed by the ENME in the short (1 to 3 years) and medium (3 to 6 years) term in which different institutions shall carry out inter-institutional coordination that includes participation from the private sector and other relevant players: se establecen en la ENME:

Sectoral and Transversal Axes	Main Actions (Term)		
	Short	Medium	Long
1. Promotion of electric public transport for sustainable urban mobility	<p>a) Promote the creation of an Official Mexican Standard, which defines the minimum safety guidelines for the components and finished units of electric public transport.</p> <p>b) Promote non-fiscal stimuli for electric public transport operation companies to facilitate the recovery of their investment.</p>	<p>a) Promote the prioritization of the purchase of electric vehicles in tenders for the renewal of the public transport fleet.</p> <p>b) Promote fiscal and non-fiscal stimuli for the import of equipment required for the assembly of electric vehicles in Mexico with the purpose of promoting the competitiveness of the local industry.</p>	<p>a) Promote the development of quality public transport in the federal entities that provides a service low in emissions and with principles of accessibility for the population.</p>
2. Promotion of the incorporation of electric vehicle units in cargo transport	<p>a) Promote the creation of business models and financial schemes that facilitate the acquisition and incorporation of electric fleets in cargo transportation.</p> <p>b) Promote the speeding up of the processes for putting plates on electric vehicles, which allow them to access the applicable benefits through the registration of vehicle codes.</p>	<p>a) Promote the creation of an Official Mexican Standard of energy efficiency for heavy electric cargo vehicles.</p> <p>b) Promote the creation of new scrapping schemes and reform existing programs at the federal and state levels to guarantee the substitution of internal combustion vehicles with electric cargo transport vehicles.</p>	<p>a) Uphold business models that promote and encourage the growth and development of hydrogen-based electric mobility.</p>
3. Boost to the market for light electric vehicles and motorcycles	<p>a) Promote the creation of an Official Mexican Standard that standardizes the characteristics of light electric vehicle chargers and electric motorcycles. Its focus will be to promote the inclusion of the different types of fast chargers in the charging stations to allow free and public access.</p> <p>b) Collaborate, in coordination with the federal entities, in the promotion of incentives, such as green plate programs that include specific benefits for electric vehicles, light vehicles, and electric motorcycles.</p>	<p>a) Promote the installation of fast charging stations in shopping and service centers, supported by impact studies on the national electricity grid.</p> <p>b) Promote the creation of a charging network in the main national highway corridors, with charging stations located in ranges that ensure transit between specific cities.</p>	<p>a) Promote the installation of electric chargers in office parking lots and residential complexes, as part of the construction regulations of urban areas.</p>

Sectoral and Transversal Axes	Main Actions (Term)		
	Short	Medium	Long
4. Boost to the alternative electric mobility market	<p>a) Promote the inclusion in urban development plans and urban mobility planning, of the creation and expansion of infrastructure for electric micromobility (cycle paths and charging infrastructure) as an element of integrated transport systems.</p> <p>b) Participate in the integration of alternative electric mobility (electric cargo bicycles, pedicabs, skateboards, electric scooters) in the corresponding regulations for its safe and orderly use.</p>	<p>a) Collaborate with the competent authorities to adopt preferential or differentiated electricity rates for alternative electric mobility charging.</p> <p>b) Promote charging points with renewable energy sources in public places among infrastructure developers.</p>	<p>a) Promote the use of alternative electric mobility as a social welfare tool with an inclusive and accessibility approach for all social sectors in mobility plans.</p>
5. Standardization and promotion of the strategic infrastructure for the charging station network	<p>a) Promote the development of a market for the management and operation of charging stations to increase the availability of supply lines and increase the coverage network at strategic points.</p> <p>b) Promote the adoption of distributed generation schemes with photovoltaic panels to supply charging stations.</p> <p>c) Participate in the definition and standardization of minimum technical characteristics for the proper functioning of charging stations.</p>	<p>a) Promote the definition of the criteria that establish the minimum percentage allocated to electric drawers in new construction with parking.</p> <p>b) Promote that the source of energy that will be provided in the electric stations comes from clean and environmentally sustainable energies.</p> <p>c) Promote the development of plans for the implementation of charging networks based on a census of existing infrastructure, mainly public transport.</p>	<p>a) Promote the creation of a public fast charging network and/or any other viable and superior technology at strategic points on highways and roads in the country, supported by technical feasibility studies.</p>
6. Strengthening of inter-institutional and multi-player coordination	<p>a) Facilitate the coordination, follow-up and communication of the strategy with the different interested sectors, in particular through the Specialized Working Groups ("GTE") for the follow-up of the ENME.</p> <p>b) Propose the creation of the Alliance of Cities for Electric Mobility to promote the ENME and its actions at the local level in urban areas of Mexico.</p>	<p>a) Promote the creation of strategic alliances with financial institutions through funds, trusts and current federal programs for the reconversion and transition of supply chains, businesses and electric mobility projects, in its different modalities and various fronts.</p>	N/A



Sectoral and Transversal Axes	Main Actions (Term)		
	Short	Medium	Long
7. Promotion of research, development of an industry in Mexico and of human capital in electric mobility	a) Promote the development of a national digital platform for electric mobility that provides useful, timely and standardized information to the various players in order to evaluate the progress of electric mobility at the national level. b) Promote the development of a training program focused on public officials and decision makers responsible for intervening in planning and implementation for the most vulnerable communities, cities and metropolitan areas. c) Promote the development of temporary tax incentives for companies that invest in the development of electric mobility technology, with the aim of promoting a competitive national industry.	a) Participation of the federal faculties of SEMARNAT in the administration of the decentralized public organization called Lithium for Mexico, whose objective is the exploration, exploitation, benefit and use of lithium, located in national territory, as well as the administration and control of supply chains economic value of said mineral, to promote the sustainable use of the resource due to its importance in electric mobility in the construction of electric batteries.	a) Collaborate with public universities so that they incorporate into their academic programs specific profiles in accordance with the needs of the electric mobility industry.
8. Communication and dissemination management	a) Promote the management of mobile applications to inform about the location of charging stations.	a) Monitor and evaluate the incidence of ENME actions in the population.	a) Maintain active spaces for dissemination and communication of electric mobility in Mexico.

- Implementation plan

The ENME establishes the relevance of working hand in hand with different government entities at various levels, as well as with development banks, and creating collaborations with the environment, energy and mobility ministries of the federal entities, as well as promoting that the states and their municipalities create their policies and development plans to contribute to the goals of the ENME.

Likewise, the private initiative is identified as responsible for benefits from the opportunities and programs that allow training and beginning the technological transition.

Also, international organizations can help with the exchange of international best practices to be applicable in Mexico, through financial support and human resources.

- Specialized Working Groups. Evaluation and Monitoring

For the short-term implementation of the lines of action of the 8 axes mentioned above, there are 5 GTE that shall work in coordination with SEMARNAT to support the review and follow-up of the ENME goals. Based on the actions of the axes, an action plan shall be prepared to ensure the fulfillment of the goals by each group.

It is expected that the scheduled Action Plan and its follow-up indicators shall be reviewed every 3 years and, if necessary, its goals to be updated.

It has been defined that the general coordination of all the GTE is in charge of the General Directorate of Policies for Climate Action of SEMARNAT, and for leadership, at least 2 co-leaders shall be considered, one person who shall be from the public sector and another person who shall be proposed or voluntary, from the private sector.

The ENME shall use the Mitigation Policies Working Group (GT-MITIG), belonging to the Inter-Ministerial Commission on Climate Change, as a follow-up and monitoring scheme, through an Electric Mobility Working Subgroup, which is the permanent mechanism for coordinating actions between the dependencies of the Federal Public Administration regarding climate change. The results and progress shall be reported to SEMARNAT.

At Sánchez Devanny we are at your service to discuss any issue or concern arising from the Draft. Likewise, we will be glad to provide you with legal support on the possible scope and effects of this Draft Resolution in your industry, as well as to support you on any issue related to the Regulatory Impact Analysis process of the same. á

Sánchez Devanny is a leading Mexican law firm that provides **full-service legal advice** both to Mexican and international clients.

We build enduring client relationships because we make every effort to understand our clients' businesses and expectations, to serve as an ally, and to provide **complete, accessible and personalized advice**.

AUTHORS



Ana Lucia Pérez-Sepulveda
ana.perez@sanchezdevanny.com



Arturo Garza-Mátar
agarza@sanchezdevanny.com



Guillermo Villaseñor-Tadeo
gvillaseñor@sanchezdevanny.com



José Antonio Postigo-Urbe
japostigo@sanchezdevanny.com



Max Ernesto Hernández-Ernult
mhernandez@sanchezdevanny.com



Tania Elizabeth Trejo-Gálvez
tetrejo@sanchezdevanny.com

Mexico City:

Av. Paseo de las Palmas #525 Piso 6
Col. Lomas de Chapultepec, 11000
Ciudad de México
T. +52 (55) 5029 8500

Monterrey:

José Clemente Orozco #335 Piso 4
Despacho 401 Col. Valle Oriente, 66269
San Pedro Garza García N.L.
T. +52 (81) 8153 3900

Querétaro:

Av. Antea #1090, Piso 2 Int 206
Col. Jurica, 76100
Querétaro, Qro.
T. +52 (442) 296 6400



www.sanchezdevanny.com

© Sánchez Devanny ® 2023

Sánchez Devanny refers to SánchezDevanny Eseverri, S.C., a leading Mexican law firm that provides full-service legal advice both to Mexican and international clients.

This publication contains general information only and is just for informative purposes. Sánchez Devanny is not rendering legal advice or services by means of this publication. To obtain legal advice or services and before making any decision or taking any action that may affect your business you should consult a qualified professional advisor.

Sánchez Devanny provides legal services in the areas of Corporate and M&A; Corporate and Project Finance; International Trade and Customs; Real Estate, Infrastructure, and Hospitality; Tax; Labor, Social Security, and Immigration; Corporate Governance and Regulatory Compliance; Energy, Natural Resources and Environmental; Life Sciences; Intellectual Property, Entertainment and Sports Law; Litigation and Alternative Dispute Resolution; Antitrust; Financial Institutions and Services; Private Wealth Management and Estate Planning and Data Privacy and Information Technology to both public and private clients, especially in the automotive, retail, pharmaceutical, manufacturing, real estate, and energy industries.