THE RENEWABLE ENERGY LAW REVIEW

SECOND EDITION

Editor
Karen B Wong

THE LAWREVIEWS

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PREFACE

I was incredibly honoured to be the editor of the first edition of *The Renewable Energy Law Review* and was delighted to learn of the positive reception for the publication. The second edition has been expanded to include chapters for Germany and Mexico and we look forward to including additional jurisdictions each year as the growth of renewable energy continues globally.

Little did I know, working as a young associate in the 'early days' of renewable energy projects, that, fast-forward to over 30 years later, the industry would be as large and as active as it is today across the globe. As a US-based partner at Milbank practising in the energy industry, I see different political environments, tax and other incentives in place in our 50 states and, having worked on multiple international projects on four different continents, I know that the regimes across the world are equally unique. This compendium has been formulated to provide you with a good overview of the legal framework and current status and challenges in structuring, financing and investing in renewable energy projects in the selected jurisdictions.

Whether you are someone already active in this sector or merely interested in learning more about the policies, legal structures and state of play in the renewable energy industry globally, I hope that this guide will aid you in your efforts as a participant in an industry that is increasing the number of new sources for energy projects with fewer carbon emissions. As a young, naive and idealistic student applying to law school, I had a genuine desire to acquire the necessary skills and tools of a profession that would empower me to change the world. Frankly, I never imagined that I would have a legal career – to date spanning over three decades – that would offer me the opportunity to do just that in my capacity as an attorney facilitating transactions that literally help to keep our skies bluer and our air cleaner globally.

Karen B Wong
Milbank LLP
Los Angeles
July 2019

Chapter 11

MEXICO

José Antonio Postigo-Uribe, Pedro Palma-Cruz, Luis Orlando Pérez-Gutiérrez and Tania Elizabeth Trejo-Gálvez[1]

I INTRODUCTION

On 20 December 2013, a Mexican constitutional amendment for the energy sector (the Energy Reform) was published in the Official Federal Gazette (DOF). The Energy Reform was an enormous contribution to the development of renewables in Mexico. A principal contribution of the Energy Reform was the establishment of clean-energy obligations and the reduction of polluting emissions by the participants in the electricity industry.

As part of the secondary legislation arising from the Energy Reform, on 24 December 2015, the Energy Transition Law (LTE) was published in the DOF. The LTE regulates the sustainable use of energy, as well as the obligations and goals for clean energies and the reduction of polluting emissions in the electricity industry. The LTE provided for the establishment of the Advisory Council for Energy Transition (the Council), a permanent citizen consultation and participation body whose purpose is to provide opinions and advise the Ministry of Energy (SENER) on the actions necessary to achieve clean-energy targets and energy-efficiency goals.

The main purposes of the LTE include the following:

a to oversee the gradual increase of the role of clean energies in the electricity industry to meet the goals for clean energy generation and emission reduction;

b to facilitate fulfilment, in an economically viable manner, of the clean-energy and energy-efficiency goals set out in the LTE;

c to establish mechanisms to promote clean energy and reduce polluting emissions; and

d to promote the use of renewable resources and waste.

Pursuant to the LTE, the instruments and programmes for planning the national policy on clean energy and energy efficiency are:

a the Transition Strategy to Promote the Use of Cleaner Technologies and Fuels (the Strategy);

b the Special Programme for Energy Transition (PETE); and

c the National Programme for the Sustainable Use of Energy (PRONASE).

1 José Antonio Postigo-Uribe is a partner, Pedro Palma-Cruz and Luis Orlando Pérez-Gutiérrez are senior associates and Tania Elizabeth Trejo-Gálvez is an associate at Sánchez Devanny.

II THE YEAR IN REVIEW

The Strategy, PETE and PRONASE are the leading axes for the promotion and regulation of clean energy in Mexico. The Strategy was published in the DOF on 19 December 2014. The Strategy constitutes the guiding instrument for medium-term and long-term national policy on clean energy. It deals with obligations, sustainable use of energy and reduction of polluting emissions in the electricity industry.

On 2 December 2016, the executive branch of the government published an update to the Strategy in the DOF. The revised Strategy made recommendations on the following topics: energy savings in buildings; energy savings in industry; energy savings in transportation; bioenergy; wind energy; solar energy; geothermal energy; hydropower; and distributed generation.

The main purposes of the Strategy are:

a to establish clean-energy goals and a road map for their implementation;
b to promote the reduction of polluting emissions in the electricity industry; and
c to reduce, subject to criteria of economic viability, Mexico's dependence on fossil fuels as a primary source of energy.

The Strategy has medium-term and long-term planning components, of 15 and 30 years respectively, consistent with international best practices, which define clean-energy goals and energy efficiency. To achieve these goals, the Strategy uses indicators to monitor progress towards energy transition in electricity generation and energy consumption in Mexico.

The PETE is the instrument that implements the actions established in the Strategy, ensuring its economic viability. The PETE 2017–2018 (the latest version) outlined the actions required to meet the goal of generating 25 per cent of the country's electricity from clean sources by the end of the 2012–2018 term of the federal government administration, thereby laying the foundations to achieve the goals of 30 per cent by 2021 and 35 per cent by 2024.

The purposes of the PETE are:

a to increase installed capacity and generation of clean energies;
b to expand and modernise transmission infrastructure and increase distributed generation and storage;
c to promote technological development, talent and value chains of clean energies; and
d to democratise access to clean energy.

On 19 January 2017, the PRONASE 2014–2018 (the latest version) was published in the DOF. On the basis of the policies, actions and targets for energy efficiency set out in the Strategy, the PRONASE establishes objectives, strategies and lines of action to achieve the optimal use of energy in all processes and activities in respect of the exploitation, production, transformation, distribution and consumption of energy.

The PRONASE requires that demand be reduced both in the energy sector and by final consumers, without affecting their productivity and competitiveness, by significantly increasing energy efficiency, introducing new technologies and substantially modifying the way in which the energy is consumed.

III THE POLICY AND REGULATORY FRAMEWORK

i The policy background

Clean energies are not the same as renewable energies. Pursuant to the Electricity Industry Law (LIE), clean energies are those sources of energy and electricity generation processes whose emissions or residues, when they exist, do not exceed the thresholds established in the applicable regulatory provisions. Therefore, clean energies encompass renewable energies.

The LTE defines renewable energies as energies whose sources reside in phenomena of nature, processes or materials susceptible to being transformed into energy usable by human beings, and that regenerate naturally so they are available continuously or periodically; and when generated do not release polluting emissions.

The sources of renewable energy, according to the LTE, are: (1) wind; (2) solar radiation, in all its forms; (3) the movement of water in natural channels or in those artificial channels with existing reservoirs, with systems for generating capacity less than or equal to 30MW or a power density, defined as the relationship between generation capacity and reservoir surface, greater than 10 watts/m^2; (4) oceanic energy in its different forms, namely, tides, marine thermal gradients, marine currents and salt concentration gradients; (5) the heat of geothermal deposits; and (6) the bioenergy sources stipulated in the Bioenergy Promotion and Development Law.

Certain tax benefits may be applicable to those seeking to invest in renewable energies. Special net tax profit account (CUFIN) rules allow a corporation to distribute dividends to its shareholders despite a lack of taxable profits generated at the corporate level.

Mexican corporations must have a CUFIN, the balance of which will be increased by, among other things, the net tax profits received by the corporation, and decreased by the dividends and profits distributed to its shareholders. The net tax profit is the result of subtracting the income tax paid (at a rate of 30 per cent), and other concepts, from the taxable income.

In this regard, Mexican law allows corporations exclusively engaged in (1) energy generation from renewable sources, and (2) efficient electricity cogeneration systems, to have an energy net tax profit account (Energy CUFIN), which relies on the above-mentioned CUFIN rules. The Energy CUFIN follows the same rules as the CUFIN, except that the concept of 'net tax profit' is replaced by 'investment profit', which is the result of subtracting the 'deemed income tax' from the 'deemed taxable income'.

The deemed taxable income is obtained by substituting the accelerated depreciation rate (100 per cent) for the 5 per cent depreciation rate on machinery and equipment for the generation of energy from renewable sources, or from efficient electricity cogeneration. The deemed income tax is the result of applying the 30 per cent tax rate to the deemed taxable income.

As with the CUFIN, to the extent that a corporation holds a positive balance in its Energy CUFIN, it would be able to distribute dividends to its shareholders in an amount equal to that positive balance, withholding 10 per cent on dividends distributed to individuals and to foreign residents. It is also important to note that, as with the CUFIN, any distribution of dividends out of the Energy CUFIN decreases the account balance.

Finally, taxpayers distributing dividends or profits from the Energy CUFIN for investment in renewable energy must keep a cumulative record of the distribution of dividends or profits made in each year.

ii The regulatory framework

Regulatory bodies and clean-energy certificates

The LIE ascribed special value to electricity from clean energies through clean-energy certificates (CELs). CELs are titles issued by the Energy Regulatory Commission (CRE) that certify the production of a certain amount of electricity from clean energy sources and that serve to meet load-centre consumption requirements.

For the acquisition of CELs, the SENER sets requirements to be met by the following mandatory participants: suppliers; qualified users, participants of the market; final users who receive electricity by isolated supply; and holders of legacy interconnection contracts, which includes load centres whose electricity does not come entirely from a clean power plant. These participants are described in more detail below:

a A supplier is a marketer, or holder of a permit to offer electricity, who can represent exempt generators (i.e., small power plants with a generation capacity lower than 0.5MW) in the wholesale electricity market (MEM).

b A qualified user, participant of the market is an end user registered with the CRE to acquire an electricity supply as a market participant.

c A final user who receives electricity by isolated supply is an individual or a company that acquires an electricity supply in its load centres through the generation or importation of electricity for the satisfaction of its own needs or for export, without making use of the National Transmission Grid (RNT) or the General Distribution Grid (RGD).

d Legacy interconnection contracts are defined as interconnection contracts or electricity purchase agreements for small producers, entered into, or to be entered into, under the conditions valid prior to the entry into force of the LIE.

In the first quarter of each calendar year, SENER establishes the requirements for the acquisition of CELs to be fulfilled during the following three years, and may establish requirements for subsequent additional years. Once the requirements for a future year are established, they will not be reduced.

The requirements for the acquisition of CELs are established as a proportion of the total electricity consumed in the load centres. Thus, SENER announced that the CELs requirement for the 2019 obligation period is 5.8 per cent; for 2020 it will be 7.4 per cent; for 2021 it will be 10.9 per cent; and for 2022 it will be 13.9 per cent. A CEL covers the generation of 1MWh of clean electricity.

Failure to comply with the requirements for the acquisition of CELs will be penalised with a fine ranging from six to 50 Units of Measure and Update[2] for each MWh of non-compliance.

SENER establishes the criteria for the granting of CELs in favour of generators that produce electricity from clean energies. To be considered a clean generator, the following requirements must be met:

a the generated energy must come from a source of clean energy in terms of the LIE; and

b the power plant must fall into one of the following categories:

- clean power plants that came into operation after the entry into force of the LIE;

2 The value of 1 Unit of Measure and Update is currently 84.49 Mexican pesos.

- legacy power plants[3] that generate electricity from clean energy and entered into operation before the LIE came into effect, provided they have carried out a project to increase their production of clean energy; or
- clean power plants with capacity that has been excluded from a legacy interconnection contract to be included in an interconnection contract under the terms of the LIE during the period in which the holder of the contract had the right to include that capacity in the legacy interconnection contract.

The CRE is in charge of granting the corresponding CELs, validating and certifying their ownership and verifying compliance with the obligations for the acquisition of CELs.

Likewise, the CRE is in charge of creating and maintaining a certificate register, which must include a record of each certificate, as well as information as to its date of issuance, validity and owner history. Only the most recent holder of the CEL entered in the registry may make use of it to demonstrate compliance with CEL requirements.

The System for Clean Energy Certificate Management and Compliance with Clean Energy Obligations (S-CEL) is the platform through which the CRE carries out the management and recording of the information associated with the consumption and generation of electricity, emissions, transactions, and liquidation and voluntary cancellation of CELs, as well as fulfilment of CELs obligations.

The persons obliged to register with the S-CEL are mandatory participants, clean generators wishing to be granted CELs, suppliers representing distributed clean generation[4] that wish to be granted CELs, and voluntary entities.[5]

The means for carrying out transactions in CELs in Mexico are: (1) long-term auctions; (2) bilateral contracts; and (3) the secondary market of CELs organised by the National Centre of Energy Control (CENACE).

Long-term auctions

Long-term auctions are a mechanism that allows any load-centre representative to enter into contracts competitively to meet the demand for CELs, power and capacity. The term of the contracts (electricity coverage contracts) awarded through these long-term auctions will be 20 years for CELs.

To date, three long-term auctions have been carried out. In the first auction, with 17 offers from 11 companies, 5,380,911 CELs were awarded at an average price of US$47.7 per package (MWh plus CELs). In the second auction, with 29 offers from 21 companies, 9,275,534 CELs were awarded in contracts with an average price of US$33.7 per package (MWh plus CELs), 30 per cent lower than that obtained in the first auction. In the third

3 A legacy power plant is defined as a power plant that, upon the entry into force of the LIE, is not included in a permit to generate electricity under the modality of self-supply, cogeneration, small production, independent production or continuous own use, and (1) is owned by the agencies, entities or companies of the state and is in operating condition; or (2) its construction and delivery has been included in the federal budget in the form of direct investment.

4 Distributed clean generation is the distributed generation from clean energies. In turn, distributed generation is the generation of electricity that is performed by an exempt generator and in a power plant that is interconnected to a distribution circuit that contains a high concentration of load centres.

5 A voluntary entity is an individual or a company that is not subject to compliance with clean-energy obligations, but decides to participate in the S-CEL to be the owner of CELs and be able to buy them, resell them or voluntarily cancel their validity.

auction, 5,762,647 CELs were awarded, and the average price obtained was US$20.57 per package (MWh plus CELs), 38.5 per cent lower than the price obtained in the second auction and recognised as one of the lowest prices in the world. The fourth auction was suspended by CENACE, but, according to statements by the head of SENER, Rocío Nahle, it is expected to be reactivated in the future.

Bilateral contracts

A bilateral contract is an agreement the terms and conditions of which will be established freely and voluntarily by the parties to the agreement.

CELs secondary market

The secondary market of CELs allows transactions between any load-centre representative whose CELs obligations are not covered or exceeded by electricity coverage contracts, generators whose operational capacity does not allow them to meet their contractual CELs obligations, and generators with capacity surplus to their commitments.

Regulatory approvals

To develop a renewable energy project within the Mexican energy regulation framework, approvals are required from the CRE and the CENACE.

The CRE is responsible for regulating and promoting the efficient development of electricity generation, public services of electricity transmission and distribution, electricity transmission and distribution that is not part of the public service, and commercialisation of electricity, whereas the CENACE is a decentralised public body whose purpose is to exercise operational control of the National Electric System (SEN) and operation of the MEM, and to guarantee impartiality in the access to the RNT and the RGD.

To develop a Mexican renewable energy project, the following approvals are required:

a generation permit, issued by the CRE; and

b interconnection application approval by the CENACE (subject to indicative, system impact and facilities studies conducted by CENACE, the granting of a financial guarantee by the applicant and the execution of an interconnection agreement by and between the transporter or distributor and the applicant).

As mentioned above, these are the approvals required under the regulatory framework for energy. There are, however, additional development-related requirements, such as evaluation of environmental and social impacts, and regulatory compliance regarding land use, constitution of easements or rights of way, water supply and wastewater discharge, and change of land use in forestland, among other matters, depending on the specific features of each project.

IV RENEWABLE ENERGY PROJECT DEVELOPMENT

i Project finance transaction structures

Project finance is one of the structures implemented to finance electricity industry projects in Mexico. The institutions that provide financing for renewable energy projects, especially on infrastructure, are international commercial banks, as well as local commercial and development banks, in combination with multilateral and import-export agencies.

The typical security structures used for renewable energy projects in the Mexican jurisdiction include contracts and security interests (e.g., pledges, mortgages and trusts). Those structures are contained in agreements that are required to be formalised regularly by a notary public and registered with the Public Registry of Property and Commerce to be perfected. In general terms, liabilities of project company shareholders only extend up to the amount of their contributions to the capital stock of the company.

Since 2015, through its German Climate Technology Initiative (DKTI), the German government has been supporting Mexico in implementing the Solar Energy Program Mexico (DKTI Solar) to help develop solar energy on a large scale in the country. DKTI Solar aims to improve the technological, financial and organisational conditions for the large-scale use of solar energy (photovoltaic and thermal) in the production of energy. To expand the deployment of solar energy in Mexico, the programme activities are concentrated in four areas: policies and regulations, technological innovation, market development, and training for financial institutions.

The financial institution training consists in preparation of commercial and development banks on the opportunities, models and risks related to solar energy. DKTI Solar has provided technical assistance on these issues to the national bank of foreign trade, Bancomext, to improve its solar-energy project evaluation processes, resulting in a greater number of funded projects.

ii Distributed and residential renewable energy

In the past few years the appetite for distributed and residential renewable energy projects has increased dramatically in Mexico and, statistically, is expected to continue to grow steadily for the next five years. Information from the CRE shows that as at the end of 2018, there have been 65,337 contracts for distributed generation, representing an installed capacity of 445.21MW. The three most significant states in terms of distributed generation are the state of Mexico, with 4,380 contracts representing 74.83MW of installed capacity, the state of Jalisco, with 17,097 contracts representing an installed capacity of 88.86MW, and the state of Nuevo León, with 11,045 contracts representing an installed capacity of 91.34MW. The main technologies employed for distributed generation are biofuels (0.58 per cent), wind (0.01 per cent) and photovoltaic solar (99.6 per cent).

In Mexico, distributed generation is meant to have open and not unduly discriminatory access to the RGD, as well as access to markets where the production can be sold. Mexican law considers energy generated by an exempt generator to be distributed generation. The Mexican general administrative provisions applicable to distributed generation and clean distributed generation power plants allow users to generate their own energy for their own consumption and any energy generated in excess to be sent to the RGD; the final balance due for the billing period should then be calculated from the difference between the energy generated and the energy consumed from the Federal Electricity Commission (CFE). If there is a difference in favour of the user, the CFE should pay the user for the energy at the local marginal price (which includes transportation and distribution costs).

iii Non-project finance development

In Mexico, renewable projects have also been developed through non-project finance structures, so the participation of commercial banking has been fundamental for these non-project finance developments. Commercial banks have resorted to different schemes, such as guarantees granted by a development bank.

Also, other financial instruments such as real estate trust bonds may be used for private funding of energy projects, with the placement of real estate fund bonds in the Mexican stock market.

Other non-project finance structures include the use of federal funds created by the Mexican government in light of the LTE, such as the Fund for Energy Transition and Sustainable Use of Energy (FOTEASE), which is a SENER public policy instrument the objective of which is to implement actions to contribute to the fulfilment of the Strategy, promoting the use, development of and investment in renewable energy and energy efficiency. Also, the Electric Energy Savings Trust (FIDE) has supported more than 2,000 distributed generation projects, mainly photovoltaic systems, in the domestic sector, in micro and small businesses, and in efficient cogeneration located at the consumption site. FIDE has contributed approximately US$22 million, resulting in more than 17MW of aggregate installed capacity, with economic benefits to users, increased competitiveness and contributing to the reduction of polluting emissions in the environment.

V RENEWABLE ENERGY MANUFACTURING

A lot of the equipment used for the wind and solar energy industries is produced in Mexico. For example, among other related equipment for wind energy, Mexico produces generators for turbines, steel towers, wind shovels and bearings. For solar energy, Mexico has manufacturing companies that supply the local and foreign markets with photovoltaic solar modules.

It is important to note that as a general rule Mexican corporations are allowed to make deductions against investments through the application in each taxable year of the maximum percentages allowed by the law over the original amount of the investment (straight-line depreciation), where fixed assets, among other items, are considered to be investments.

To foster investments in clean energy generation, the law allows a 100 per cent depreciation (accelerated depreciation) of the original investment on machinery and equipment for the generation of energy from renewable sources or from an efficient electricity cogeneration.

The aforementioned deduction percentage is applicable to the extent that the machinery and equipment operates and functions for a minimum of five years after its acquisition. Otherwise, the accelerated depreciation benefit must be reversed and replaced by the applicable depreciation percentage, resulting, in all likelihood, in a tax payment for the difference in depreciation rates.

Depending on the value of the investment, the corporation investing in machinery and equipment for the generation of energy from renewable sources might not pay income tax for some years because of the application of the accelerated depreciation benefit.

This effect results in a partial benefit. On the one hand, no income tax becomes payable, but on the other the net operating losses, generated for a number of years because of the application of the accelerated depreciation, do not allow dividend distributions to shareholders, since no profits have been generated at the corporate level. Therefore, the accelerated depreciation benefit must be combined with the special CUFIN rules (see Section III.i, above).

In addition, an income tax benefit is granted to taxpayers for their investments in power supply equipment for electric vehicles. The benefit consists in a 30 per cent tax credit on the amount of the investment. To obtain the tax benefit, the equipment must be fixed in public places. If the tax credit exceeds the income tax due, taxpayers may carry forward the remaining credit for the following 10 taxable years until it is exhausted.

VI CONCLUSIONS AND OUTLOOK

According to the information presented during the first and second ordinary sessions of the Council in 2018, clean energy generation reached 24.12 per cent (40,499.01GWh) of total generation – less than one percentage point short of reaching the LTE goal of 25 per cent by the end of 2018. The results from the annual evaluation of the Strategy, PRONASE and PETE indicate that photovoltaic solar energy grew by more than 1,300 per cent over four years, and wind energy grew by 154 per cent in the same period. This is mainly due to two relevant factors: the carrying out of long-term auctions and the implementation of a CELs market.

During the first half of 2018, Mexico had a total installed capacity of 75,918.42MW, of which 23,874.92MW came from clean technologies, representing 31.45 per cent of the total and showing a growth in installed capacity for clean technologies of 11.84 per cent compared to installed capacity at the end of the first half of 2017. Photovoltaic technology showed the highest growth in 2018, as capacity increased by almost three times that of the first half of the previous year, to 1,200MW.

During the first six months of 2018, the first phases of six of the winning long-term auction projects came into operation (five from the first auction and one from the second), with a total capacity of 1,442.5MW from four photovoltaic plants (1,274.5MW) and two wind farms (168MW). These six projects represent 20.64 per cent of the total capacity commitments from the auctions. Over the coming months, an additional 358.7MW will be installed (263MW of photovoltaic and 95.7MW of wind power). This additional capacity will cover 25.77 per cent (1,801.2MW) of the capacity commitments from the first three long-term auctions.

In addition, Mexico has abundant geothermal resources. The country's estimated geothermal potential is 13.4GWe, which is among the highest in the world. As at November 2018, 28 exploration permits have been granted, 13 to the CFE and 15 to private companies, as well as six concessions to exploit geothermal resources; notably, the first concession was granted to a private developer.

However, there are several factors that can limit the development of this type of project, such as the need for intensive capital investment in its initial phase, coupled with the risks associated with deep exploratory drilling because of uncertainty about the capacity of the resource. Therefore, the Mexican Geothermal Program (PGM) has been conceived as an alternative way to finance project execution, associated implementation costs and the technical assistance necessary for new geothermal projects. The PGM has proved to be an innovative financial mechanism of great significance in promoting the development of the Mexican geothermal industry, given that currently installed capacity amounts to 936.2MW, contributing almost 2 per cent of the country's total annual electricity generation.

According to the planning exercise for the National Electricity System Development Programme (PRODESEN) 2018–2032 (the latest version published, since an updated version was expected to be published in May or June 2019), to supply the SEN electricity demand during the period 2018–2032 and to meet clean-energy objectives, 66,912MW of additional capacity will be required, which means 1.7 trillion Mexican pesos in investment over the next 15 years.

Conventional technologies will provide 45 per cent of this additional capacity and 55 per cent will come from clean technologies. Within the clean technologies, a diversified portfolio of projects is expected, of which wind, solar, nuclear and efficient cogeneration will contribute a greater share than other clean technologies.

External factors that hinder the development of clean technology projects, especially in the southeastern region of the country, such as the presence of environmental, social, logistical and financial restrictions, may limit the diversification of the energy mix.

Notwithstanding existing barriers, the current government's objectives in energy matters are to increase investments in renewable sources, achieve energy efficiency and collaborate in the fight against climate change. In this context, the government recently announced an agreement with the Canadian company Hydro-Québec to modernise 60 Mexican hydroelectric plants, increase energy production and reduce the cost of household electricity. We expect the current obstacles to generation of energy from renewable sources to be overcome by the government to meet its objectives.

Appendix 1

ABOUT THE AUTHORS

JOSÉ ANTONIO POSTIGO-URIBE

Sánchez Devanny

José Antonio Postigo-Uribe is the managing partner at Sánchez Devanny's Mexico City office. He heads the firm's energy, natural resources and environmental practice group and the firm's energy industry group, which includes practitioners from different law practice areas who specialise in advising clients in the energy sector. He is also a partner in the firm's corporate and M&A practice group.

José Antonio has over two decades of experience with an M&A and transactional background and extensive knowledge of the energy sector. He advises clients on M&A, private equity, general financing, business transaction structuring, joint ventures, corporate restructuring, corporate planning, general corporate law, privatisations, public and private bidding processes, PPPs, project finance, infrastructure development and real estate. He also represents clients in all types of contracts and civil and commercial agreements; in negotiations with governmental entities; in the incorporation of companies and associations; and in the establishment of branches and processes related to acquisitions, divestitures, sales, mergers, spin-offs, and dissolution and liquidation of companies. Local and international clients entrust him with sensitive, complex, and large transactions.

He is the author of several articles in national and foreign publications specialising in corporate, infrastructure and investment matters. He is a regular speaker in different forums on transactional, investment and energy matters in Mexico and abroad.

PEDRO PALMA-CRUZ

Sánchez Devanny

Pedro Palma-Cruz is a senior associate at Sánchez Devanny. From 2009 to 2012, Pedro was with the Mexican national Tax Administration Service (SAT), where he specialised in areas such as international tax audits, legal support and international tax affairs, and large-taxpayer legal matters, participating in audits of foreign tax residents, the issuance of tax rulings, and exchange-of-information procedures with foreign authorities in the Mutual Agreement Procedure (MAP). From 2015 to 2016, Pedro was engaged in the field of hydrocarbon verification, participating in audits conducted in the hydrocarbons sector focusing on payments made to foreign tax residents and transfer pricing.

In 2011, he was also designated as an attendant member of Working Group No. 1 of the Organisation for Economic Co-operation and Development (OECD), as part of the Mexico delegation. In the same year, his paper on 'The payment as an event that triggers

the benefits of tax treaties' was recognised for inclusion in the Poster Programme of the 65th Congress of the International Fiscal Association (IFA) in Paris, France. In 2018, he was recognised for a second time by the IFA, in the context of its international award for investigative research, for his work on 'The creation of value and the arm's-length principle'.

LUIS ORLANDO PÉREZ-GUTIÉRREZ

Sánchez Devanny

Luis Orlando Pérez-Gutiérrez is a senior associate at Sánchez Devanny in the firm's Monterrey office, where he is a member of the corporate and M&A practice group. He joined Sánchez Devanny in 2007, working with the corporate and M&A, corporate and project finance, and financial institutions and services practice groups.

He has broad experience advising international and domestic corporate clients, institutional investors, private equity funds and family businesses in relation to acquisition operations, multi-jurisdictional and domestic stock and asset acquisition transactions and projects, and in-bound and out-bound equity joint ventures. He advises international banks and financial institutions and international and domestic corporate borrowers on cross-border commercial loans, syndicated loans and project financing, and on all types of security packages and collateralisation. Previously, he worked as a litigation attorney in mercantile and civil matters, representing, among others, a Mexican business group with more than 650 department stores in Mexico, and he has participated in the negotiation and preparation of commercial contracts for several Mexican companies.

Luis also taught stock market law and courses on financial institutions for the finance degree programme at Regiomontana University.

TANIA ELIZABETH TREJO-GÁLVEZ

Sánchez Devanny

Tania Elizabeth Trejo-Gálvez is an associate at Sánchez Devanny. Tania has more than five years of professional experience. Within the broad scope of her professional practice, Tania focuses on the analysis and preparation of different types of contracts for the energy sector (electricity and hydrocarbons). In addition, Tania provides legal advice to national and international clients on the implementation of the new regulatory framework for the energy industry in Mexico, and on the development and implementation of upstream, midstream and downstream projects, in both conventional and unconventional energies.

Tania's academic background and experience in the energy sector puts her at the forefront of practitioners with knowledge of regulatory matters regarding the entire Mexican energy value chain, allowing her to inform clients, in a timely manner, on the impact of the legal regime on current and future projects. Before joining Sánchez Devanny, Tania was with a distinguished Mexico City law firm specialising in energy law and also worked previously as a lawyer in a state productive enterprise, developing new Mexican energy industry business and projects.

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