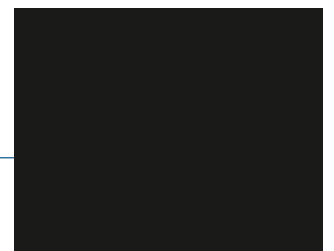




General Motors stated in November 2021, just seven months after announcing plans to invest \$1 billion in electric vehicle production in Mexico, that “Mexico won’t be a destination for foreign investment” unless it provides a solid legal basis to “meet our objective of having zero emissions in the long run.”<sup>1</sup> Indeed, Mexico’s energy policies could determine the future of North America’s integrated supply chains and the jobs and prosperity that go with them.

The world has entered an era in which the countries and companies that transition to net-zero emissions will shape the 21st Century economy. The pandemic, and now the war in Ukraine, have heightened concerns about the vulnerabilities of supply chains and the potential benefits from “near-shoring”



produce more oil and gas to help fill the gaps once supplied by Russia. But the other reality emerging from Russia's war is the vulnerability of global supply chains to geopolitical shocks that can send oil and natural gas prices sky rocketing – even for the United States, which is the world's largest producer of oil and gas. The long-term signals to transition to a net zero world have become more diverse and profound.

The opportunities are glaringly clear for near shoring in Mexico the production of electric vehicles, electronic products, textiles, and many other forms of manufacturing.

For the United States, Mexico, and Canada, this is the moment to build the infrastructure – for power generation, grids, transmission, and distribution – and to develop and share technologies for batteries and hydrogen – that will consolidate North America's leadership in a world defined by net zero.

Significant controversy, however, stems from lack of confidence in whether Mexico will provide a stable legal basis to invest in renewable energy

and the infrastructure to support a North American economy that will need to transition to net zero. As political debate on renewable energy continues to rage within Mexico, markets have signaled another reality. Mexico has had some of the world's most successful auctions (currently suspended) for wind and solar power, delivering prices at half the previous average national cost of power generation.

There are also very real issues to resolve on power transmission, distribution and phasing out investments in older and generally dirtier power plants. These are shared North American concerns and should be tamTUS

North America has a unique opportunity to reshape its supply chains and energy systems. Canada and the United States are committed to pushing ahead across the broad range of relevant issues. Mexico is key to ble stments (e on)/MC16 BDmte oies.reramr a

