

Attracting Private Investment in Mexico's Growing Green Energy Sector with the U.S. in the 2020's

Overview: President Claudia Sheinbaum must resolve the energy sector investment questions leading to the 2026 USMCA review. The previous President, Andrés Manuel López Obrador (AMLO), held unyielding and confrontational stances toward foreign investment in Mexico. This included bailing out state-owned enterprises as they fell deeper into debt and nationalizing components of critically deemed growing domestic resource sectors ¹.

In the media, Sheinbaum is seen domestically in the U.S. as the successor and protégé of AMLO's policies. However, her economic agenda does not depend on him as she begins her administration. Instead of pushing for Mexican energy independence through publicly owned fossil fuel companies, she will quite differently pursue a green energy policy that will likely necessitate private expertise and cooperation ².

Green Ambitions: Although Sheinbaum has credited neoliberal policies with detrimentally impacting Mexico, since her inauguration, she has promised bilateral drives with the U.S. Explicitly wanting to "create the conditions for private investment and at the same time, regulate it," ³ her economic model pledges to have a minimum of 45% of the country's total energy output by 2030, currently 22% ⁴.

Her background as a climate scientist stresses her shift away from her predecessors' love for fossil fuels. However, Bloomberg estimates that the cost of her plan will reach nearly \$50 billion ⁵, making the likelihood of achieving this goal through the already aging energy grid challenging in the coming years.

Capital Shortfalls: Since before Sheinbaum's inauguration, Mexico had been facing a potential fiscal crisis. AMLO presided over an increase in public spending totaling 6.6 trillion pesos (\$336 billion) and a rise in Mexico's deficit, from 2% to 5.96% of GDP, which would bring total gross public sector debt to 58% of GDP by the end of 2024 ⁶.

Mexico's revenues were already strained under AMLO's economic policy, so it is simply impossible for Sheinbaum to achieve her industrial policy goals and maintain social welfare spending in the timeline she proposes.

President Sheinbaum knows this and will undoubtedly need to find common ground between the economic nationalists of the National Regeneration Movement Party, Morena, and private, likely foreign, corporations seeking to cooperate with state government guidelines.

Increasing Mexico's appeal for private investment is the best-case scenario for accomplishing Sheinbaum's goals. The bilateral relationship between the U.S. and Mexico has resulted in each other becoming their most significant trading partners. Increased regional integration only benefits increased trade volumes, cooperative security, and future geopolitical strategy.

Potential Outcomes: Sheinbaum has pledged to cap private energy ownership at 46% and opposes future public-private partnerships in the energy sector ⁷. However, the Mexican Association of Hydrocarbon Companies notes that existing opportunities could still yield nearly \$160 billion in budgetary benefits as Mexico's energy demand is expected to rise rapidly due to nearshoring, urbanization, and other state-building initiatives ⁸.

Following the victory of Donald Trump in the U.S. signals a return to the tactics of utilizing tariffs and additional punitive measures to add on for Sheinbaum's mind to the USMCA review.

The standing USMCA agreement conflicted with much of both AMLO's and likely Sheinbaum state-led development policy in "preventing" fair market competition halting investment ⁹. It will loom over her administration unless edits during the 2026 review are made. Some \$35 billion worth of FDI to Mexico is stalled because of the lingering uncertainty of investment challenges to Mexico's developing energy sector ¹⁰. Mexico's recent judicial reform is a repeated concern to the security stake of current investments. Sheinbaum's responsibility to navigate a successful industrial policy to make Mexico appealing again will be one of the most significant tasks of her administration.