

## 1 Country Sheet Mexico

Table 1: Status Quo of Carbon Pricing in Mexico

	Characteristics
<b>Name of instrument</b>	Tax on fossil fuels (Impuesto a los combustibles fósiles – part of the reformed Law on the Special Tax on Production and Services (Ley del Impuesto Especial sobre Producción y Servicios – LIEPS))
<b>Date of entry into force</b>	1 January 2014
<b>Scope</b>	
- <b>Sectors covered</b>	Fossil fuel energy sector
- <b>Gases covered</b>	CO <sub>2</sub>
- <b>Point of regulation</b>	Upstream: The carbon tax is imposed on the sale and import of fossil fuels (natural gas is exempted).
- <b>Treatment of imports and exports</b>	Imports are covered. The carbon tax is not imposed on the export of fossil fuels (Congreso de los Estados Unidos Mexicanos, 2013, Art. 8 II).
<b>Price / cap level</b>	The carbon tax sets individual tax rates for each fossil fuel. For propane, for instance, the tax is 6.92 MXN cents (0,0033 €) <sup>1</sup> per litre while for mineral carbon it is 29.31 MXN (1.53 €) per ton. For fossil fuels not listed the price was set at 42,37 MXN (2.23 €) per tonne of carbon (SHCP, 2015). The implicit price per tonne of CO <sub>2</sub> varies across the fuels taxed, ranging from more than 46 MXN for diesel to less than 6 MXN for petroleum coke. <sup>2</sup> As natural gas is exempted, its implicit price per tonne of CO <sub>2</sub> is zero (Montes de Oca, Muñoz Piña, & Belausteguigoitia, 2014).
<b>Cost containment mechanisms</b>	
- <b>Offsets</b>	The possibility to use CERs was introduced as a cost containment instrument together with the tax.
<b>Reporting and verification</b>	<ul style="list-style-type: none"> <li>Importers (and exporters) of fossil fuels must be listed in the “padrón de importadores y exportadores” (Register of imports and exports) controlled by the Secretariat of Finance and Public Credit (Secretaría de Hacienda y Crédito Público - SHCP) (Congreso de los Estados Unidos Mexicanos, 2013, Art. 19 XI).</li> </ul>

<sup>1</sup> Amounts in Euro are calculated on the basis of the exchange rate of 01.01.2016 (date of the entry into force of adjusted tax rates).

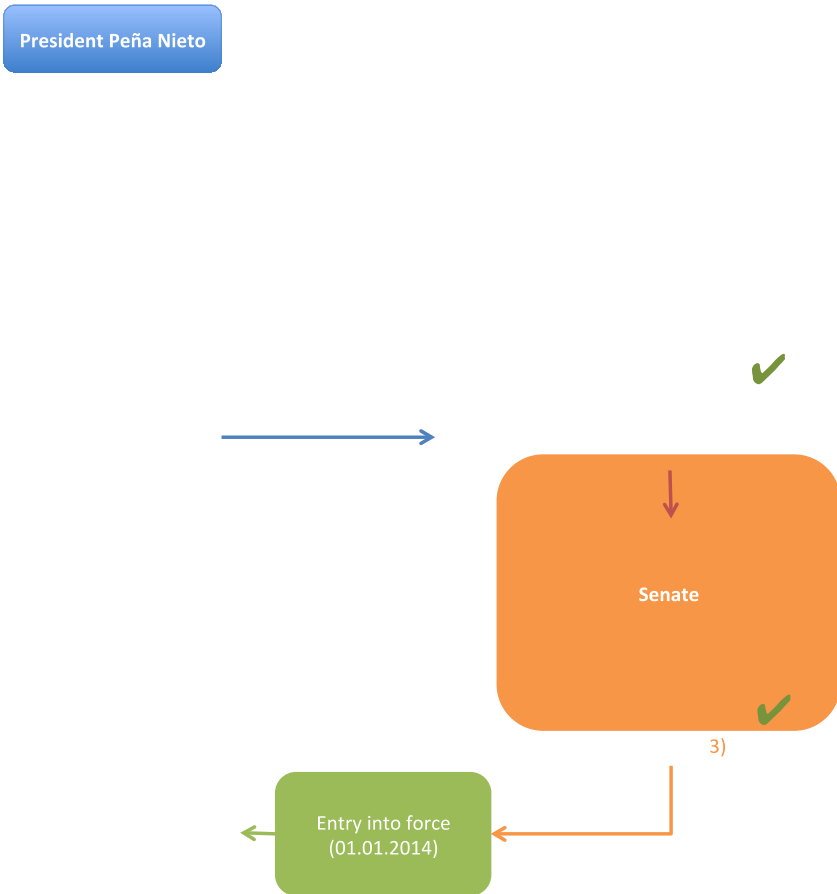
<sup>2</sup> The implicit prices per tonne of CO<sub>2</sub> are taken from Montes de Oca, Muñoz Piña, & Belausteguigoitia (2014). They have been calculated on the basis of the original tax rates established with the adoption of the carbon tax in 2013 (see Congreso de los Estados Unidos Mexicanos, 2013).

	<ul style="list-style-type: none"> <li>• Taxpayers have to identify those activities that are related to fossil fuels (Congreso de los Estados Unidos Mexicanos, 2013, Art. 19 I).</li> <li>• Four times a year (in April, July, October, January), taxpayers have to provide information to the Tax Administration Service (Servicio de Administración Tributaria) on their 50 main clients and providers of these fuels of the trimester before (Congreso de los Estados Unidos Mexicanos, 2013, Art 19 VIII).</li> <li>• Taxpayers must implement physical controls of fabricated or produced volumes and provide a trimestral report on the monthly reading of the registries of each device used for the control (Congreso de los Estados Unidos Mexicanos, 2013, Art. 19 X).</li> <li>• Taxpayers must provide to the Tax Administration Service (Servicio de Administracion Tributaria) a trimestral report on price of disposal of each product as well as their value and volume of the trimester before (Congreso de los Estados Unidos Mexicanos, 2013, Art. 19, XIII).</li> <li>• Carbon tax monitoring system not yet integrated into mechanism for reporting on emissions (Montes de Oca et al., 2014).</li> </ul>
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Table 2: Details of Offsetting Regulation in Carbon Tax in Mexico

<b>Eligibility</b>	
- Eligibility criteria	CDM projects must be hosted in Mexico and approved by the UNFCCC (Congreso de los Estados Unidos Mexicanos, 2013, Cap. 1, Art. 5).
- Standards	CDM standard is used.
- Quantity limits	Tbd
- Sectoral limits	Tbd
<b>Price</b>	Taxpayers can submit CERs to reduce their overall tax amount to be paid by an amount equivalent to the value of the CERs. The value of the CERs will be determined according to rules to be established by the Secretariat of Finance and Public Credit (Secretaría de Hacienda y Credito Publico - SHCP) and are to reflect market prices at the moment of paying the carbon tax (Congreso de los Estados Unidos Mexicanos, 2013, Cap. 1, Art. 5).

Figure 1: Political Process Relating to the Introduction of Carbon Pricing in Mexico Including Involved Actors



Source: Own illustration.

## 2 References

Congreso de los Estados Unidos Mexicanos. (2013). *Ley del Impuesto Especial sobre Producción y Servicios - Última Reforma DOF 11-12-2013*.

Montes de Oca, M., Muñoz Piña, C., & Belausteguigoitia, J. C. (2014). *MRV and Linking: A Perspective from Mexico*.

SHCP. (2015). *ACUERDO 26/2015 por el que se actualizan las cuotas del Impuesto Especial sobre Producción y Servicios aplicables a los combustibles fósiles*. Retrieved from [http://www.dof.gob.mx/nota\\_detalle.php?codigo=5421292&fecha=24/12/2015](http://www.dof.gob.mx/nota_detalle.php?codigo=5421292&fecha=24/12/2015)