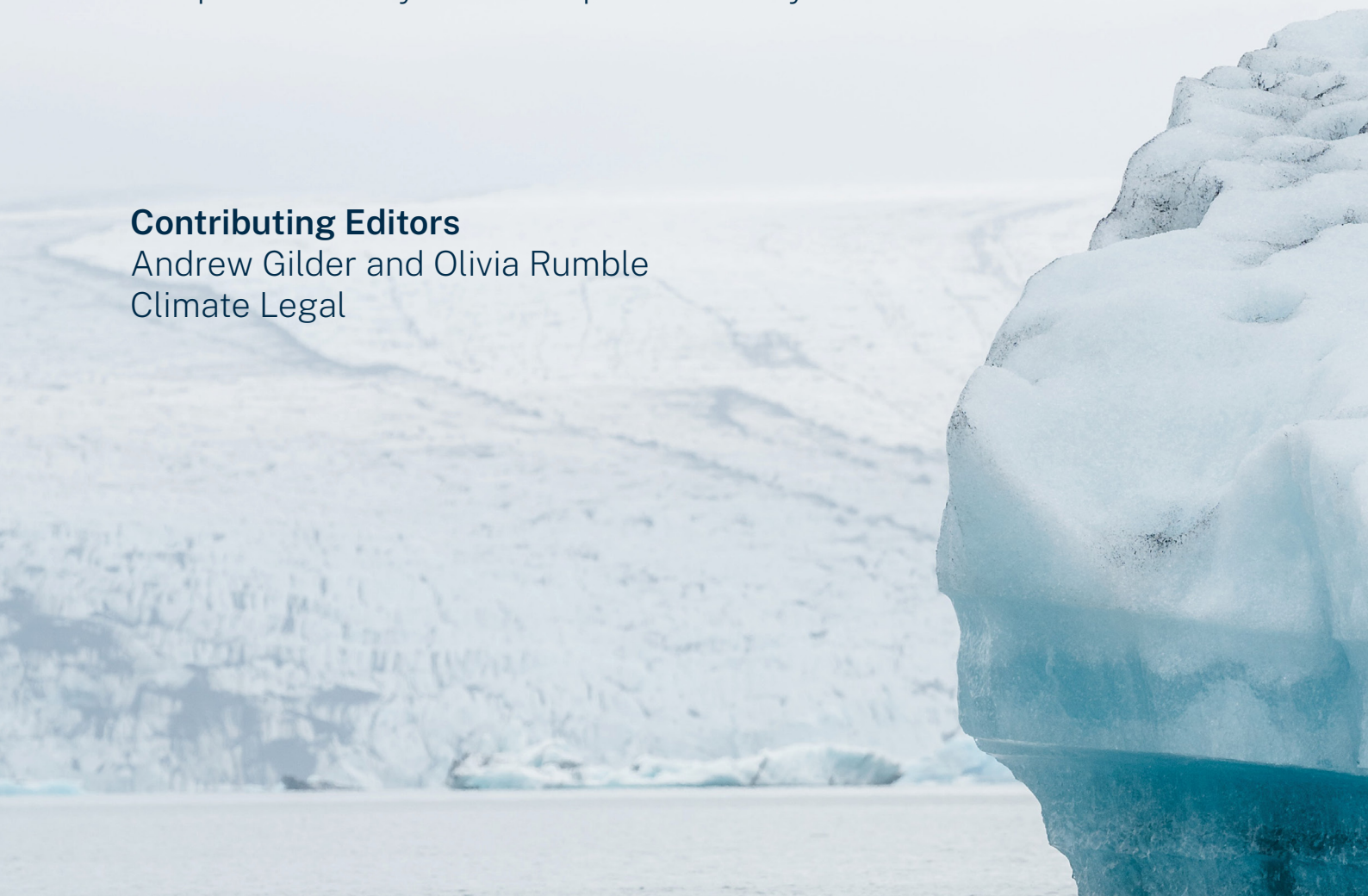

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Climate Change Regulation 2025

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2025

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MEXICO



Law and Practice

Contributed by:

Brenda Rogel, Estuardo Anaya and Ana Paulina Arenas
Ritch Mueller

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Contributed by: Brenda Rogel, Estuardo Anaya and Ana Paulina Arenas, **Ritch Mueller**

Ritch Mueller is a top-tier, multidisciplinary, transactional firm committed to providing high-value-added legal advice to national and international clients in the structuring, development, and financing of their private businesses and public sector projects in Mexico. Its work encompasses transactions within the

financial, industrial, infrastructure, energy, retail and services sectors, among others. The firm has a staff of over 100 professionals who strive to add value to clients through efficient and in-depth services, combined with high levels of expertise and experience.

Authors



Brenda Rogel joined Ritch Mueller and was named a partner in 2023. She has experience in the practice of environmental and regulatory law, assisting a wide range of industries and companies in managing the

environmental and regulatory risks associated with business start-ups, acquisitions, operations, expansions and divestitures. She is an expert in the management of contaminated sites and environmental emergencies, as well as in the formulation of sustainability and climate change strategies, permit analysis, regularisation and compliance programmes. Brenda has also engaged in strategic investigations and litigation to protect the environment, advance climate change adaptation, and promote the inclusion of women's and minority rights.



Estuardo Anaya joined Ritch Mueller in 2016. With over 20 years of experience in environmental and regulatory affairs, he specialises in providing legal counsel on environmental compliance and

litigation, due diligence, project finance, mergers and acquisitions, energy and infrastructure projects, life sciences, real estate development (including tourism, commercial and residential), zoning, educational regulations, agrarian law, ESG, Equator Principles and human rights issues.



Ana Paulina Arenas joined Ritch Mueller in 2015. Specialising in environmental and regulatory matters, she advises financial institutions, investment funds and developers on national and transnational issues. Her

practice covers a wide array of legal environmental, climate change and regulatory affairs, with expertise in ESG, Equator Principles and carbon markets.

Ritch Mueller

Av. Pedregal 24
10th floor
Molino del Rey
11040 Mexico City
Mexico

Tel: +52 55 9178 7000
Email: contacto@ritch.com.mx
Web: www.ritch.com.mx

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1. Multilateral Climate Change Legal Regime

1.1 Multilateral Climate Change Legal Regime

Mexico has been consistent in the engagement of the multilateral climate change legal regime since its inception. The country's commitment is evident through its participation in various international instruments and initiatives.

IPCC

Mexico plays an active role in the Intergovernmental Panel on Climate Change (IPCC), contributing data, experts and peer-reviewed research to assure the inclusion of regional contexts in global climate assessments.

Mexico is a party to the following key international legal instruments on climate change:

- The United Nations Framework Convention on Climate Change (UNFCCC) was signed on 13 June 1992 and ratified on 11 March 1993.
- The Kyoto Protocol to the UNFCCC was signed on 9 June 1998 and ratified on 7 September 2000. Mexico also accepted the Doha Amendment to the Kyoto Protocol on 23 September 2015.
- In 2015, Mexico adopted the 2030 Agenda for Sustainable Development, giving particular emphasis to Goal 13 related to climate action.
- The Paris Agreement was signed on 22 April 2016 and ratified on 21 September 2016.

Mexico's Proactive Reporting and Contributions

Mexico has consistently demonstrated its commitment through proactive reporting and contributions.

Mexico was among the first developing countries to submit its initial and second national communications to the UNFCCC in 1997 and 2001, respectively, noting that Mexico was among the first non-Annex I countries to report emissions and vulnerability assessments.

Mexico submitted its first Nationally Determined Contribution (NDC) under the UNFCCC in 2015. A second NDC was submitted on 29 December 2020, with an update in November 2022.

Mexico's third national communication under the UNFCCC was submitted in 2006, presenting an updated emissions inventory up to 2002 and reporting on the developments carried out regarding the climate change institutional framework, such as the creation of the Inter-Ministerial Commission on Climate Change and the execution of a collaboration agreement with the Ministry of Energy (*Secretaría de Energía*, SENER) to create a climate change committee for the energy sector, in February of 2005.

Through its fourth national communication, Mexico reported on the following actions relevant to adaptation to climate change:

- advising federal entities and municipalities to consider adaptation concepts in their planning and zoning strategies; and
- upgrading urban development programmes in order to consider risks and population vulnerabilities in the context of climate change events. This communication also included mitigation actions taken in the energy sector, such as energy-saving programmes.

Mexico submitted its sixth national communication to the UNFCCC in 2018, focusing on integrated mitigation-adaptation strategies, risk management and cross-sectoral climate governance.

According to information from the Ministry of Environment and Natural Resources (*Secretaría del Medio Ambiente y Recursos Naturales*, SEMARNAT), Mexico began internal preparations for its seventh national communication on 23 January 2024. This communication is expected to incorporate the Enhanced Transparency Framework under the Paris Agreement; to update national greenhouse gas inventories using improved methodological consistency, among other major goals.

1.2 Regional Climate Change Legal Regimes

Mexico engages in regional climate change efforts through multiple initiatives and partnerships.

Organisation of American States

Mexico is an active member of the Organisation of American States (OAS). Although the OAS has not

yet developed a binding legal framework for climate change in the North American and Caribbean region, Mexico's involvement in regional climate diplomacy is consistent and strategic. This consistency is demonstrated by its ongoing endorsement of regional declarations and summits that promote environmental governance, such as the 2017 OAS General Assembly hosted in Cancún, where it promoted institutional reforms and advocated for Indigenous rights and environmental protections, moreover, its strategic engagement is evidenced by its leadership in promoting the implementation of regional mandates, and its advocacy for aligning regional priorities with global frameworks such as the Paris Agreement and the 2030 Agenda for Sustainable Development.

Mexico particularly emphasises implementing mandates from the ninth Summit of the Americas, held in Los Angeles in 2022. These mandates include actions to advance commitments from the Glasgow Leaders' Declaration on Forest and Land Use, focusing on national deforestation and conservation efforts.

Mexico collaborates in regional efforts aimed at halting and reversing deforestation and reducing greenhouse gas (GHG) emissions from sectors such as agriculture, forestry and mining. These efforts often intersect with the objectives of the Inter-American Committee on Sustainable Development (CIDS) and regional policy dialogues facilitated by the OAS Department of Sustainable Development.

North American Climate, Clean Energy, and Environment Partnership

Mexico participates in the North American Climate, Clean Energy, and Environment Partnership Action Plan with the United States and Canada. This partnership focuses on collaborative actions to address climate change, promote clean energy and protect the environment.

As of 2025, the three countries are continuously cooperating through trilateral working group meetings, including technical exchanges on methane abatement, electric vehicle infrastructure, and transboundary climate data sharing. Mexico has supported the development of clean hydrogen corridors across its northern industrial regions and engaged with the United

States on methane recovery technologies for the oil and gas sector.

2. National Policy and Legal Regime (Overview)

2.1 National Climate Change Policy

Mexico's approach to national climate change policy is deeply informed by and aligned with international climate change regimes, particularly under the UNFCCC and the Paris Agreement.

Legal Framework and Policy Development

Mexico's national climate change policy is anchored in the General Law on Climate Change (*Ley General de Cambio Climático*, GLCC), enacted on 6 June 2012 and most recently amended in May 2021. This law mandates the formulation and implementation of comprehensive policies, including national adaptation and mitigation strategies, the establishment of a national climate change system, and various planning instruments such as the national strategy and national programme.

These policy instruments are intricately linked to Mexico's commitments under the international climate change legal regime, including the submission of national communications and NDCs to the UNFCCC.

Evolution of Mexico's NDCs

Mexico has submitted two NDCs to date: the first in 2015 and the second in 2020, with an update in November 2022.

Primary objectives

The NDCs encompass both mitigation and adaptation measures. They are designed to align with Mexico's broader sustainable development goals and address vulnerabilities across various sectors.

Differences between NDCs

The 2020 NDC introduced non-conditioned commitments and included additional feasible actions. It underscores synergies between mitigation, adaptation and the Sustainable Development Goals (SDGs). Specific attention is given to vulnerable population sectors, which were less emphasised in the 2015 NDC.

The 2020 NDC also strengthened the focus on gender and human rights, cultural heritage, islands and climate-related forced migration issues.

Updated goals

In its 2022 update, Mexico increased its GHG reduction targets for 2030 from 22% to 35%. There is also a conditional target that could reach up to 40% if there is increased international financing, along with innovation and technology transfer.

The updated NDC outlines plans to implement strategies aimed at reducing emissions from deforestation and forest degradation. Additionally, it sets a goal to expand clean energy production to 40 gigawatts by 2030.

2.2 National Climate Change Legal Regime

Mexico's approach to addressing climate change is primarily governed by the GLCC. This law serves as the foundational legislation to combat the adverse effects of climate change within the country and to guide climate governance across all levels of government.

Constitutional and Legal Framework

The Political Constitution of the United Mexican States does not have specific provisions that directly address climate change. However, Article 4 guarantees the right to a healthy environment, which forms the foundation of Mexico's climate obligations. In this context, matters related to climate change are primarily governed by the GLCC.

The GLCC is categorised as a general law within Mexico's legal framework. It holds authority below the Constitution and international treaties ratified by Mexico, and above local legislation and municipal regulations.

This law grants jurisdiction over climate change matters to authorities at all three levels of government:

- federal;
- state or local; and
- municipal,

within the framework of co-ordinated, participatory and shared responsibilities.

Federal-level regulations

Alongside the GLCC, specific federal regulations, such as those governing the national emissions registry, have been enacted to support its implementation and enforcement.

State and local legislation

Mexico is made up of 32 states, of which 30 have enacted local climate change laws. These laws align with the GFCC and address specific regional climate challenges and priorities.

Complementary legal instruments

Various complementary legal and planning instruments have been amended or created at both the federal and local levels to incorporate climate change considerations. These include:

- local development plans;
- climate change plans;
- inter-ministerial climate change commissions;
- climate change funds;
- climate change evaluation mechanisms;
- air quality management programmes;
- emissions inventories;
- waste management laws;
- ecological territorial planning programmes;
- risk and vulnerability assessments;
- urban development regulations; and
- mobility programmes.

These instruments reflect Mexico's evolving climate governance framework, in line with its obligations under the Paris Agreement, the Escazú Agreement, and relevant national planning laws.

2.3 Bilateral/Multilateral Co-Operation

Mexico engages in international co-operation under the Paris Agreement, primarily focusing on enhancing climate action and achieving its NDCs. While Mexico actively participates in discussions concerning Article 6, a specific framework for action under this provision has yet to be established or implemented. To date, Mexico has not established a Designated National Authority as stipulated in Article 6.4.

Article 6.2 International Co-operation and Activities

Article 6.2 of the Paris Agreement allows voluntary co-operation between Parties through the use of “internationally transferred mitigation outcomes” (ITMOs). Mexico participates in discussions and initiatives related to this provision, including involvement with the Partnership for Market Readiness (PMR) and its successor platform, the Partnership for Market Implementation (PMI).

Mexico collaborates with PMR/PMI countries to explore potential co-operation mechanisms under Article 6.2, aimed at enhancing market-based approaches to climate mitigation.

Other International Co-operation and Activities Under the Paris Agreement

While specific frameworks under Article 6.2 are not yet fully established, Mexico actively participates in various co-operative efforts and bilateral agreements fostering climate action. Examples of these actions include the following.

North American Climate, Clean Energy, and Environment Partnership Action Plan

Mexico, alongside Canada and the United States, participates in this partnership focused on advancing clean energy, reducing climate pollutants and enhancing climate resilience in the North American region.

Latin American and Caribbean initiatives

Mexico contributes to the Latin American and Caribbean Initiative for Sustainable Development (ILAC) and engages in Climate Action Plans within the Pacific Alliance (Chile, Colombia, Mexico, Peru). These initiatives aim to strengthen climate resilience, promote renewable energy and reduce GHG emissions.

Kunming-Montreal Global Biodiversity Framework

Mexico has adopted this framework to co-operate towards the global effort to address biodiversity loss, which is essential for the health of ecosystems, human well-being and achieving sustainable development goals worldwide. Its adoption and effective implementation are seen as crucial steps in safeguarding the planet’s biodiversity for future generations.

Technology transfer and capacity building

Mexico collaborates with international partners on technology transfer and capacity-building initiatives. For instance, partnerships with organisations such as the German Agency for International Co-operation (GIZ) support Mexico’s renewable energy projects and improve energy efficiency measures.

International climate finance

Mexico receives financial and technical support from global institutions such as the World Bank and the International Monetary Fund, and bilateral aid from countries such as Germany and the United Kingdom. These funds assist Mexico in implementing climate initiatives and meeting its NDC targets.

2.4 Key Policy/Regulatory Authorities

The GLCC establishes the obligation of Mexican federal authorities to formulate and direct the climate change national policy, including a national adaptation policy and a mitigation adaptation policy, from which derive the climate change national strategy and the climate change national programme, as well as local climate change programmes.

On the other hand, the climate change national system, composed of the government levels (federal, local and municipal), whose purpose is to act as a permanent mechanism devoted to the application of the climate change national policy, is co-ordinated by SEMARNAT.

Key Mexican Authorities on Climate Change

Considering that under the GLCC, climate change is a matter which requires the concurrent action of all three government levels, the GLCC created the following key authorities.

Inter-Ministerial Climate Change Commission

This commission is permanent and will be presided over by SEMARNAT and composed of all the federal ministries connected with climate change matters.

Climate change council

A permanent consultation and advisory body of the Inter-Ministerial Climate Change Commission; will be formed of 15 members from the social, private and

academic sectors as designated by the president of the commission.

SEMARNAT

The federal Ministry of Environment and Natural Resources, SEMARNAT, is in charge of co-ordinating and applying the national climate change policy; presiding over the Inter-Ministerial Climate Change Commission.

National Institute of Ecology and Climate Change (INECC)

The INECC will co-ordinate, promote, and develop scientific and technological research related to the national policy on climate change. The Director of the INECC will also preside over the Evaluation Co-ordination.

Evaluation Co-ordination

Composed of the Director of the INECC and six independent members, this will oversee the co-ordination of the evaluation of how climate change policy is applied. The evaluation itself will be carried out by independent entities such as educational, research or non-profit organisations.

The local and municipal authorities replicate similar structures in accordance with the corresponding local legislation and municipal regulations.

2.5 Climate Litigation

Climate change litigation in Mexico is an emerging yet increasingly significant feature of the national legal landscape. In this regard, several cases have addressed climate-related harms by invoking constitutional rights, international environmental law, and principles of ecological justice and international standards. This form of litigation is gradually being deployed as a strategic tool to promote compliance, address and prevent harmful activities, and advance accountability in climate governance.

Key Litigants and Legal Operators

The primary litigants in these cases are:

- civil society organisations whose statutory purpose involves environmental protection;

- indigenous communities defending ancestral territories and water sources;
- academic legal clinics; and, on occasion
- citizens with lawful interests.

These actors commonly invoke the right to a healthy environment, access to environmental information, protection for environmental human rights defenders, and the obligation of authorities to act in accordance with the best available science.

In this regard, Courts have acknowledged that when such organisations litigate on behalf of collective or diffuse environmental interests, their standing is valid under Mexican law, especially when their object aligns with ecological preservation and sustainable development. Additionally, courts have held that environmental organisations may be exempt from providing guarantees when requesting suspension of the claimed acts if their litigation serves the public interest, pursuant to standards derived from the Escazú Agreement.

Principles and Standards

Litigants regularly invoke constitutional principles such as precaution, prevention, progressivity, and the intrinsic value of nature. For instance, Amparo review No 307/2016, decided by the Supreme Court, confirmed the justiciability of the precautionary principle and endorsed the reversal of the burden of proof where irreversible environmental harm is at stake, even in contexts of scientific uncertainty.

This doctrine has influenced other rulings where courts have imposed obligations on public authorities to prevent climate-related degradation despite incomplete scientific data, thereby strengthening the responsiveness of the judiciary to climate risks. Furthermore, Courts have further recognised that State conduct must adhere to the maximum available resources standard and may not regress in climate policy implementation, especially where public funds and institutional instruments, such as the National Climate Change Fund, have been suspended or underutilised.

Mexican courts have also begun to incorporate international obligations under the Paris Agreement and customary environmental principles into their reason-

ing. In cases related to biodiversity loss, such as the suspension of transgenic corn planting, courts have underscored the duty of authorities to protect native seeds, food sovereignty, and the regenerative capacity of ecosystems. Likewise, litigation concerning deforestation, contamination of hydrological basins, and illegal changes in land use has prompted judicial scrutiny of impact assessments, water availability, invoking both ecological thresholds and intergenerational equity.

Emblematic Cases

Recent high-impact cases include judicial orders to suspend industrial pig farms in the Yucatán Peninsula due to their potential contribution to aquifer contamination and methane emissions. In these rulings, judges cited hydrological studies, deficiencies in environmental impact procedures, and lack of Indigenous consultation, reinforcing the justiciability of environmental principles and the rights of local communities.

Greenpeace vs the federal government

An illustrative example of strategic litigation is the Amparo filed by Greenpeace against the federal government, challenging the 2020 revision of Mexico's NDC. Although the case was dismissed on procedural grounds, it raised critical questions about the principle of non-regression in environmental rights and generated public debate on climate ambition. In response, Mexican authorities issued an updated NDC in 2022 with enhanced mitigation commitments, demonstrating how climate litigation, even if unsuccessful, can shape public policy and put political pressure toward progressive climate action.

Environmental justice

Mexican courts have also addressed the intersection of environmental justice and climate adaptation failures. Several cases have denounced the insufficiency of risk studies performed by the authority, poor infrastructure planning, or the absence of reliable climate data, particularly in flood-prone areas. These cases highlight the duty of public authorities to incorporate the best available scientific evidence and to adopt preventive measures in the face of foreseeable risks.

Overview of Climate Litigation

To sum up, climate litigation in Mexico is still consolidating, still reflecting a clear tendency toward judicial engagement with environmental principles and international standards, as the Courts are progressively framing environmental degradation and climate inaction as matters of human rights and public interest. This trend suggests that climate litigation will continue to shape the implementation and enforcement of Mexico's climate policies in the years to come.

3. National Policy and Legal Regime (Mitigation)

3.1 Policy/Regulatory Instruments and Spheres of Government/Sectors

The national strategy on climate change, issued by SEMARNAT on 3 June 2013, includes a comprehensive mitigation policy aimed at implementing cost-effective emissions reduction actions that yield environmental benefits, such as:

- accelerating the transition to clean energy sources and reducing energy intensity;
- enhancing energy efficiency through responsible consumption and efficiency schemes;
- promoting sustainable urban models to improve mobility systems, comprehensive waste management, and construction of low-emission buildings;
- supporting improved agricultural and forestry practices to increase carbon sequestration and soil health; and
- reducing emissions of short-lived climate pollutants.

Climate Change Special Programme

In alignment with this strategy, SEMARNAT published the 2021-2024 Climate Change Special Programme on 8 November 2021. This programme prioritises mitigation efforts, particularly Objective No 2, which focuses on reducing GHG emissions and other compounds to foster socio-economic development, with a low carbon footprint and ozone layer protection, based on the latest available scientific knowledge.

Mexico has traditionally required entities to obtain emissions permits in order to release pollutants into

the atmosphere, with specific annual emission caps established. Any modifications to production processes necessitate obtaining new permits. In addition to such emissions permits, the legal framework on environmental and climate change matters also includes the submission each year of an annual operating schedule (*Cédula de operación Anual*), through which the emissions generators inform the environmental authorities of the type and volume of their emissions. The data collected supports the development of Mexico's National Emissions Inventory.

As of 2025, the Climate Change Special Programme for the period 2025–2030 is under interinstitutional review. It is expected to incorporate the results of the Global Stocktake, reflect the structure of the Enhanced Transparency Framework (ETF), and align with updated NDC targets through sector-specific emissions trajectories and investment strategies that support climate-resilient development.

4. National Policy and Legal Regime (Adaptation)

4.1 Policy/Regulatory Instruments and Spheres of Government/Sectors

Despite the obligation stipulated by the GLCC for federal authorities to develop a national adaptation policy, such a policy has not been enacted to date. However, Mexico's climate change national strategy includes a primary objective focused on adaptation measures. These measures aim to reduce vulnerability among the population and key sectors, while enhancing the resilience of strategic infrastructure through improved risk management and territorial planning.

An example of Mexico's adaptation efforts is the successful implementation of a pilot project in 2017, which focused on adapting coastal wetlands in the Gulf of Mexico. This project, supported by the Global Environment Facility, was carried out in three wetland areas across the states of Veracruz, Tabasco and Quintana Roo.

On 28 February 2022, Mexico issued its first adaptation communication under the Paris Agreement.

5. Responses to International Developments

5.1 Carbon Markets

Mexico's Implementation of Article 6.4 of the Paris Agreement

Article 6.4 of the Paris Agreement establishes a framework for a carbon credit market, facilitating the international transfer of GHG reductions or removals. This centralised approach differs from that of Article 6.2, whereby countries establish their bilateral arrangements for transferring ITMOs. Project developers approved under Article 6.4 by the supervisory body can obtain credits known as "A6.4ERs" for GHG emission reductions or removals, similar to the Clean Development Mechanism under the Kyoto Protocol. These credits can be traded internationally or utilised for other climate change mitigation purposes.

While Mexico has yet to announce specific measures regarding Article 6.4 and has not established a Designated National Authority, the nation's broader commitment to climate change mitigation suggests potential engagement with Article 6.4 as part of its climate strategy.

The national strategy on climate change, derived from the GLCC, highlights economic mechanisms, including those related to taxation and markets, as primary strategies for Mexican climate policy. The following sections detail relevant economic mechanisms implemented by Mexico.

Carbon Markets

Mexican Emissions Trading System

The 2018 amendment to the GLCC introduced a mandatory Emissions Trading System (ETS) designed to regulate GHG emissions. A pilot phase of the ETS has been completed ("Pilot Programme"), and the publication of rules for its operative phase is pending. The following are basic principles presented by the Pilot Programme:

The Pilot Programme targeted projects in the energy and industrial sectors emitting 100,000 tons or more of direct CO₂ annually from stationary sources per installation. Regulated entities were allotted a fixed number of allowances under this programme, with the

option to offset any shortfall with offset credits (*Créditos de Compensación*).

In accordance with the Resolution establishing the preliminary guidelines for the Emissions Trading System Pilot Programme (*Acuerdo por el que se establecen las bases preliminares del Programa de Prueba del Sistema de Comercio de Emisiones*, the “Pilot Programme Rules”), SEMARNAT is authorised to issue offset credits. These credits represent the reduction or absorption of one ton of CO₂ equivalent, or emissions of the same amount that have been avoided, resulting from eligible mitigation projects or activities not covered by the Pilot Programme.

The Pilot Programme Rules also consider the potential transfer of offset credits, which may include those from Article 6 to the ETS as external compensatory credits to meet allowances. However, certain conditions must be met:

- the offsets must originate from projects not regulated by the ETS;
- the initial credits must be cancelled upon issuance of the external offset credit; and
- the offsets must fulfil SEMARNAT’s specified conditions, which have not been published as of the time of writing.

As of 2025, Mexico is expected to release the final operating rules of the SCE, incorporating recommendations from Article 6.4 supervisory deliberations and best practices from peer ETS jurisdictions.

Voluntary carbon market

Mexico has initiated a voluntary carbon market, providing individuals, businesses and organisations with the opportunity to voluntarily purchase carbon credits or offsets to mitigate their carbon footprint and support climate action initiatives. Managed by MEXICO2, a subsidiary of the Mexican Stock Exchange’s SIF ICAP, this market is currently in its trial phase. During the 2023 Mexico Carbon Forum, the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) announced the ongoing drafting of rules for the Mexican Voluntary Carbon Market. As of 2025, no final rules have been published.

It should be noted that access to the platform of the ETS and the voluntary carbon market is not public during the respective trial periods; access is restricted to participants.

Carbon Tax

In Mexico, carbon taxes and/or GHG emissions taxes have been implemented at the federal level through the Special Tax on Production and Services (*Impuesto Especial Sobre Producción y Servicios*, IEPS) and at the state level through the GHG emissions tax.

Federal level

The federal carbon tax primarily targets the upstream and some midstream processes of the hydrocarbons sector. Implemented in 2014, this tax is calculated based on the carbon content of fuels rather than the direct emissions from their use. IEPS applies to the production, importation and disposal of fossil fuels intended for combustion processes, excluding natural gas and other fuels not used for combustion. Different rates are applied to each fossil fuel based on its carbon dioxide content.

State level

State-level taxes focus on downstream processes, allowing for the taxation of GHG physically released into the atmosphere. This tax covers activities beyond fossil fuel combustion and includes GHGs other than CO₂.

Currently, only eight out of Mexico’s 32 states have operational taxes on atmospheric emissions:

- State of Mexico;
- Guanajuato;
- Nuevo León;
- Oaxaca;
- San Luis Potosí;
- Tamaulipas;
- Yucatán; and
- Zacatecas.

However, Querétaro is the only state that allows the use of offsets as a flexibility mechanism.

5.2 European Union Carbon Border Adjustment Mechanism (CBAM)

The Carbon Border Adjustment Mechanism (CBAM) is a European Union (EU) policy aimed at equitably pricing the carbon emissions involved in producing carbon-intensive goods imported into the EU. By verifying that a carbon cost has been paid for the emissions embedded in these imported goods, the CBAM will equalise the carbon pricing between imports and domestic products.

The CBAM will not be mandatory for Mexico; however, as the second-strongest economy in Latin America, Mexico holds an important trade relationship with the EU. While specific effects are uncertain and will need to be studied along with the progressive implementation of the CBAM, it is likely to have the following effects on Mexico.

Trade Relations with the EU

The primary impact concerns Mexico's trade connections with the EU. In 2020, Mexico stood as the second-largest export market for the EU. Significant imports include machinery and appliances, transportation equipment, optical/photographic instruments and mineral products. The CBAM could affect the competitiveness of Mexican exports to the EU market, especially in sectors with high carbon intensity.

Industries exhibiting notable carbon intensity, such as steel, cement, and select chemical sectors, might face elevated expenses due to the CBAM. Mexican exporters operating within these realms could encounter additional prerequisites or expenditures linked to carbon emissions, potentially influencing their competitiveness in the EU market.

Impact on domestic policies

It is widely recognised that regulations from Mexico's trade partners significantly influence its domestic policies. In this context, the CBAM could potentially affect Mexico's internal carbon pricing policies and climate commitments. To minimise any negative impacts on Mexico's exports to the European Union, the country will need to enhance its focus on clean energy sources and improve its carbon pricing mechanisms or emissions reduction targets. By doing so, Mexico

can better align with CBAM requirements and reduce trade-related risks.

Adaptation measures

Not only will the CBAM influence policies, but it will also shape decisions made by Mexican industries in their day-to-day operations. Strategies to adapt and mitigate potential CBAM impacts could involve investing in cleaner technologies, improving energy efficiency and diversifying export markets to reduce reliance on the EU.

6. Liability for Climate Change and ESG Reporting

6.1 Climate Financial Reporting

The TCFD's Influence on National Policy

The Task Force on Climate-Related Financial Disclosures (TCFD) has played a significant role in shaping the global practices concerning climate-related financial reporting standards, and its impact is starting to increase in Mexico. The following sections describe the extent to which TCFD has influenced Mexico's policy and regulatory positions.

Adoption by financial institutions and corporations

Leading national financial institutions such as BBVA Bancomer S.A., Institución de Banca Múltiple, Grupo Financiero BBVA (BBVA Mexico) and Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte (Banorte), and corporations such as Cemex, S.A.B. de C.V. (CEMEX) and Orbia Advance Corporation, S.A.B. de C.V. (Orbia), have adopted TCFD recommendations voluntarily. This includes disclosing climate-related risks and opportunities in their financial reports, which helps in aligning with international best practices. Grupo Financiero Banamex, S.A. de C.V. (Banamex) was the first Latin American pension fund to participate in the pilot trial of the TCFD.

Stock exchange initiatives

The Mexican Stock Exchange (*Bolsa Mexicana de Valores*, BMV) encourages listed companies to improve their environmental, social and governance (ESG) disclosures, and TCFD guidelines are increasingly seen as a benchmark for best practices. The

BMV has also published environmental reports aligned with TCFD guidelines.

Governmental and regulatory engagement

Although the Mexican government has not mandated TCFD-aligned disclosures yet, there is increasing awareness and consideration of these recommendations in policy discussions. SEMARNAT and other regulatory bodies are progressively acknowledging the importance of climate-related financial disclosures.

Civil Society Influence

Civil society's influence on climate change policy, regulatory positions and corporate behaviour in Mexico is steadily increasing. Civil society organisations play a crucial role in shaping public discourse, raising awareness and advocating for stronger climate change actions.

A historic example was when Greenpeace filed an Amparo against the Mexican Government, challenging Mexico's revised NDC, arguing that the NDC failed to respect the principle of non-regression in human rights law. Despite the case being dismissed, it not only set a precedent for the non-regression principle in climate targets but also pressured Mexico to issue a revised version of the challenged NDC voluntarily.

6.2 Directors' Climate Change Liability

The Mexican environmental and climate change legal framework does not explicitly include provisions establishing specific liability related to climate change matters, except for entities or individuals found in breach of their emissions reporting obligations through traditional enforcement channels. Failure to comply with emissions reporting requirements may result in fines of up to MXN339,420 (approximately USD17,687). If false information is submitted, fines can increase to MXN1,131,400 (approximately USD 58,957).

6.3 Shareholder or Parent Company Liability

As previously noted, no specific liability provisions are regulated under the Mexican climate change legal framework for shareholders or parent companies, except for the corporate liability regulated by commercial and civil laws. Please be aware that, according to environmental legislation, if a company or similar entity is responsible for causing environmental dam-

age or violating environmental laws or obligations, the liable party will be that company or entity. It is required to address the issue using its own assets. It is uncommon for shareholders or parent companies to be involved in these matters since piercing the corporate veil on environmental issues requires strong legal justification, and courts have traditionally applied this standard narrowly and exceptionally.

6.4 ESG Reporting and Climate Change

ESG reporting is becoming increasingly important globally, and Mexico is no exception. ESG reporting is currently not a mandatory regulatory requirement for all companies in Mexico. However, numerous initiatives and regulations encourage or indirectly mandate such disclosures, particularly for publicly listed companies and financial institutions. Below are examples of voluntary and mandatory ESG disclosures in Mexico:

Voluntary Disclosures

BMV Guidelines

The BMV has issued the BMV Guidelines for Strengthening Corporate Sustainability in Mexico (*Guía de la BMV para el fortalecimiento de la sostenibilidad empresarial en México*). These guidelines encourage listed companies to disclose their sustainability practices through voluntary international frameworks, including:

- the Global Reporting Initiative;
- Sustainability Accounting Standards Board;
- TCFD;
- SDG Impact Standards;
- International Integrated Reporting Council;
- Carbon Disclosure Project; and
- International Financial Reporting Standards (IFRS).

These instruments encompass ESG disclosures, including those related to climate change.

ISSB and SBT initiative

As companies and investors are increasingly seeking standardised and credible frameworks for sustainability reporting, the work of the International Sustainability Standards Board (ISSB) and the Science-Based Targets initiative is playing the role of indicative guidelines for ESG reporting in Mexico. Adopting these

standards and targets provides Mexican companies with transparency, investor confidence, regulatory preparedness and alignment with global sustainability practices.

Mandatory Disclosures

Retirement Savings Systems

Retirement Savings Systems (*Sistemas de Ahorro Para el Retiro, SIEFOREs*) are required to include in their investment prospectus how their investment strategy incorporates ESG factors and how these factors are applied to risk management. While specific climate-related ESG components are not explicitly stated, they are generally included within the broader scope of ESG disclosures.

Sustainability report

Pursuant to an amendment to the general provisions applicable to securities issuers and other participants in the securities market (*Disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes del mercado de valores*, issued by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores, CNBV*) on 28 January 2025), securities issuers (domestic and foreign) have to submit a sustainability report.

- **Applicability:** Securities issuers in Mexico, both domestic and foreign, except for federal entities and municipalities.
- **Connection with IFRS:** The Report must include information on the issuer's sustainability-related risks and opportunities that could reasonably be expected to affect cash flow, access to financing, or capital costs in the short, medium, or long term. As a general rule, such information must comply with IFRS Standards, including any future modifications.
- **Foreign entities:** Foreign issuers can prepare their Sustainability Information following IFRS sustainability standards or apply the standards of their country of origin. In the latter case, it will be necessary for the issuer to disclose that the Sustainability Information has not been generated under IFRS Standards, and if applicable, the equivalence or interoperability with IFRS Standards.
- **Financial institutions and certain financial entities** (such as non-regulated SOFOMES and issuers

whose main activity is credit granting, factoring, or leasing) have to follow the specific rules for their sector.

Timing considerations and third-party audit

- **2026:** Issuers must submit sustainability reports for the 2025 fiscal year, but external auditor assurance is not required at this stage.
- **2027:** Reports must include at least limited assurance from an external auditor.
- **2028:** Reports must include reasonable assurance from an external auditor.

It should be noted that pursuant to a 2023 amendment to the Securities Market Law (*Ley del Mercado de Valores*), subject to a prior opinion of the CNBV and the Banco de Mexico (Mexico's Central Bank), the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público, SHCP*) can issue general provisions regarding sustainable development. These provisions are aimed at promoting, informing about and evaluating the adoption of best practices in this area by issuers and other participants in the securities market.

Financial Reporting and Sustainability Standards

On 13 May 2024, the Mexican Financial Reporting and Sustainability Standards Board (*Consejo Mexicano de Normas de Información Financiera y Sostenibilidad, CINIF*) issued the Financial Reporting and Sustainability Standards (*Normas de Información Financiera y Sostenibilidad, NIS*):

- **Applicability:** NIS are mandatory since 1 January 2025, for entities that prepare financial statements in accordance with the Financial Reporting Standards of CINIF. The NIS aim to enhance the disclosure of useful information to improve entities' resilience to sustainability challenges and support sustainable growth decision-making.
- **Connection with IFRS:** CINIF has announced its commitment to align the NIS with the IFRS of ISSB, and considers the NIS as an initial step in this direction. Although NIS are not fully converged with IFRS, CINIF plans, as part of its strategy, to issue specific NIS on sustainability topics, beginning with climate-related financial disclosure requirements.

- NIS series: The initial publication of the NIS includes two series: NIS A-1 Conceptual Framework for NIS (Marco Conceptual de NIS) and NIS B-1 Core Sustainability Indicators (*Indicadores Básicos de Sostenibilidad*, IBSOs):
 - (a) NIS A-1 Conceptual Framework for NIS establishes the foundational principles for the application of NIS and outlines quality requirements that disclosures must meet.
 - (b) NIS B-1 Core Sustainability Indicators requires the determination and disclosure of 30 IBSOs in financial statements, which are universally applicable metrics providing entities with a clearer understanding of their sustainability status. IBSOs related to climate change include GHG emissions, energy consumption, sustainable investment, water usage and waste generation.
- Timing considerations and third-party audit: The NIS were published in May 2024 and became effective in 2025. The first reporting period is for the fiscal year beginning on or after 1 January 2025 and ending on 31 December 2025.
 - (a) Transitional relief: CINIF recognised the steep learning curve by granting limited transitional relief. Companies may defer disclosure of Scope 3 greenhouse-gas emissions and the “Sustainable Investment” indicator until the 2026 report, provided they explicitly disclose the deferral in 2025. Comparative-period data are waived for the inaugural year, allowing preparers to focus on current-year accuracy rather than retrospective recalculation.
 - (b) Audit treatment: The CINIF has not determined that an external auditor must validate sustainability reports.

7. Transactions

7.1 Due Diligence

Climate change due diligence in Mexico is increasingly becoming a critical component of M&A, finance and property transactions, especially as global awareness and regulatory frameworks evolve. While mandatory ESG regulations in Mexico do not yet exist, companies and investors are recognising the importance of incorporating the assessment of climate-

related risks and opportunities into decision-making processes. Key areas of focus in climate change due diligence include regulatory compliance, risk assessment, financial impacts, and disclosures and reporting (voluntary and mandatory).

8. Climate-Friendly Investment Support

8.1 Renewable Energy

Mexico provides various forms of policy, regulatory and other support to encourage the uptake of renewable energy technologies, including the following.

Electricity Sector Reform and Legal Framework

In March 2025, Mexico enacted significant energy amendments, introducing the Electricity Sector Law (*Ley del Sector Eléctrico*, LSE), which replaced the previous Electricity Industry Law (LIE). Under the LSE, the Federal Electricity Commission (*Comisión Federal de Electricidad*, CFE) is mandated to maintain at least 54% of the national electricity generation market, with the remaining 46% available to private producers.

Clean Energy Certificate (CEL)

CELs are tradable certificates issued to generators of clean energy, providing financial incentives for renewable energy generation, regardless of the technology. Certain regulated parties, including Suppliers, Qualified Market Participant Users (*Usuarios Calificados Participantes del Mercado*), and End Users (*Usuarios Finales*) that are supplied by isolated supply (*abasto aislado*), are required to acquire a certain percentage of their power from renewable sources or purchase CELs to comply with clean energy targets. CELs are now valid for 30 months from issuance.

Net Metering, Net Billing and Complete Sale Policies

The Energy Regulatory Commission issued a resolution outlining the general administrative provisions, the model contracts, the methodology for calculating the consideration and the general technical specifications applicable to contract models, the methodology for calculating the compensation and the general technical specifications applicable to distributed generation and clean distributed generation power plants (*Resolución de la Comisión Reguladora de*

Energía por la que expide las disposiciones administrativas de carácter general, los modelos de contrato, la metodología de cálculo de contraprestación y las especificaciones técnicas generales, aplicables a las centrales eléctricas de generación distribuida y generación limpia distribuida).

Under these regulations, residential, commercial and industrial customers of the Federal Electricity Commission (*Comisión Federal de Electricidad*, CFE) can install renewable energy systems, such as rooftop solar panels. If connected to the national electricity grid, customers can receive compensation for excess electricity generated. The applicable provisions outline three different schemes for customers:

Net metering

The customer consumes and generates energy under the same supply contract. Generated energy is subtracted from the customer's energy consumption.

Net billing

The energy consumed that CFE delivers to the customer is independent of the energy that the customer generates and sells to CFE; it is not subtracted from the customer's consumption.

Total sale

The customer sells to CFE all the generated energy. There is no supply contract between the customer and CFE.

These schemes promote distributed generation and encourage investment in renewable energy by reducing electricity bills and providing a revenue stream for surplus energy. Further information can be found [here](#).

Energy Storage Regulation

In March 2025, Mexico introduced a formal regulatory framework for Battery Energy Storage Systems (BESS). These systems are recognised as essential for integrating renewable energy and stabilising the national grid.

Income Tax Law (Ley del Impuesto Sobre la Renta)

Investments in machinery and equipment for the generation of renewable energy or co-generation systems are 100% tax-deductible.

8.2 Other Support

Mexico continues to expand its policy, regulatory and other forms of support for distinct types of climate-friendly investments beyond renewable energy. These supports encompass areas such as energy efficiency, sustainable transportation, waste management and sustainable agriculture. Some specific examples are as follows.

Tax Incentives for Electric Vehicles

Diverse federal and local tax regulations provide financial incentives such as tax exemptions, rebates and subsidies for the purchase and use of electric vehicles. Some states and municipalities also offer additional incentives such as reduced registration fees and access to high-occupancy vehicle lanes. As an example, the Federal Law of New Motor Vehicles Tax (*Ley Federal del Impuesto Sobre Vehículos Automóviles Nuevos*) exempts the sale or importation of electric vehicles from such tax.

Sustainable Agriculture

Through diverse programmes, Mexico provides financial incentives and technical support to farmers for the adoption of sustainable agricultural practices such as organic farming, conservation tillage, use of water and integrated pest management. An example of such a programme is the Fertilisers for Well-Being Program, which is aimed at subsistence farmers and distributes free fertilisers across millions of hectares to enhance soil fertility and crop yields.

Green Bonds

Mexico has actively participated in the issuance of green bonds, which are financial instruments designed to fund projects with positive environmental impacts. These projects typically focus on renewable energy, energy efficiency, sustainable waste management and water resource management. Green bonds have been issued both by banks such as Nacional Financiera, S.N.C. (NAFIN) and Banco Nacional de Obras y Servicios Públicos, S.N.C., (BANOBRAS), and by private sector entities such as Coca-Cola Femsa, S.A.B. de C.V. (KOF).

These instruments are issued under the Securities Market Law, similarly to other bonds. To qualify as a green bond, certification from an independent third

party validating the environmental benefits of the project is required, following internationally recognised standards such as the ICMA Green Bond Principles and the Climate Bonds Initiative.

Sustainable Financing Mobilisation Strategy by SHCP (Estrategia de Movilización de Financiamiento Sostenible por Parte de SHCP)

This strategy includes a series of actions and policies designed to promote investment in projects and activities that contribute to the sustainable development of the country. Its main objectives are fundraising for sustainable projects, promotion of sustainable investments, integration of ESG criteria into financial policies, and ensuring financial transparency and accountability.

Taxonomía Sostenible

Sustainable investments can be identified through the Sustainable Taxonomy (*Taxonomía Sostenible*) issued by the SHCP in 2023, which provides tools to identify such investments and facilitate financial flows towards projects that positively impact environmental and social goals. The overarching goal of the taxonomy is to provide reliable market information, mitigate greenwashing risks, and enhance transparency and certainty in markets.

Payment for Environmental Forestry Services

The National Forestry Commission (*Comisión Nacional Forestal*, CONAFOR) implemented a public policy called Payment for Environmental Services (*Pago por Servicios Ambientales*, PSA). This programme seeks to actively conserve the country's forests, jungles, arid zones and mangroves through economic incentives for forest landowners who carry out good management practices. It is divided into three schemes:

PSA

This scheme supports forest landowners in areas with high environmental value and good ecosystem conservation. Payments are based on vegetation type and deforestation pressure index. Support is granted for five years, with beneficiaries required to reinvest at least 50% of the funds in conservation, protection, management, organisation, governance and eco-friendly projects. A successful case is the *Ejido Cañón de los Encinos y San Antonio Necúa in Ensenada, Baja California*.

Local mechanisms for PSA through concurrent funds

These are collaboration agreements between CONAFOR and public or private actors, formalised for two to five years. They aim to pool resources and form alliances to pay for environmental services to forest landowners. Areas are selected based on watershed, biological corridor vision or conservation interests of partners. CONAFOR contributes up to 50% of the total fund, with the remaining amount provided by partners, with no set limit on their contributions.

Biodiversity Heritage Fund

This long-term PSA (over 20 years) focuses on globally important high-biodiversity areas, promoting ecosystem connectivity through biological corridors and integrated land management. It aims to enhance the impact of the PSA by synergising with other conservation instruments. Currently, 47,395 hectares are conserved in Jalisco, Nayarit and Durango. Economic incentives are provided through renewable five-year agreements, financed by the Mexican Forestry Fund, Global Environment Facility donations and federal government contributions.

Trends and Developments

Contributed by:

Brenda Rogel, Javier Camacho Piedra and Ana Paulina Arenas
Ritch Mueller

Ritch Mueller is a top-tier, multidisciplinary, transactional firm committed to providing high-value-added legal advice to national and international clients in the structuring, development, and financing of their private businesses and public sector projects in Mexico. Its work encompasses transactions within the

financial, industrial, infrastructure, energy, retail and services sectors, among others. The firm has a staff of over 100 professionals who strive to add value to clients through efficient and in-depth services, combined with high levels of expertise and experience.

Authors



Brenda Rogel joined Ritch Mueller and was named a partner in 2023. She has experience in the practice of environmental and regulatory law, assisting a wide range of industries and companies in managing the

environmental and regulatory risks associated with business start-ups, acquisitions, operations, expansions and divestitures. She is an expert in the management of contaminated sites and environmental emergencies, as well as in the formulation of sustainability and climate change strategies, permit analysis, regularisation and compliance programmes. Brenda has also engaged in strategic investigations and litigation to protect the environment, advance climate change adaptation, and promote the inclusion of women's and minority rights.



Javier Camacho Piedra is a dedicated environmental law specialist whose career reflects a mastery of diverse challenges, including water rights, wastewater discharge, environmental impact, risk

management, air emissions, and climate change. His experience also spans hazardous and non-hazardous waste management, wildlife conservation, and forestry land issues. As a senior associate at Ritch Mueller, Javier responds works with clients amid evolving regulatory landscapes. His forward-thinking approach empowers clients from multiple industries to navigate emerging claims and adapt to shifting regulations, making his expertise a valuable resource in today's dynamic environmental legal arena.



Ana Paulina Arenas joined Ritch Mueller in 2015. Specialising in environmental and regulatory matters, she advises financial institutions, investment funds and developers on national and transnational issues. Her

practice covers a wide array of legal environmental, climate change and regulatory affairs, with expertise in ESG, Equator Principles and carbon markets.

Ritch Mueller

Av. Pedregal 24
10th floor
Molino del Rey
11040 Mexico City
Mexico

Tel: +52 55 9178 7000
Email: contacto@ritch.com.mx
Web: www.ritch.com.mx

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Mexico's Climate and Water Regulation: Introduction

Mexico is entering a decisive phase in its response to climate change, characterised by an unprecedented convergence of sustainability-focused regulations and ambitious public policy initiatives. These developments are beginning to reshape how businesses operate, particularly in their sustainability reporting and use of natural resources such as water. Two major regulatory trends that stand out have been outlined below.

- New mandatory sustainability-reporting framework that requires companies to share information about their environmental and social impacts, starting in 2025.
- Major reforms to water policy, including a long-term government plan, a national agreement on water rights, and a new law that will change how companies use, reuse, and report water.

These changes are connected by a big idea: that climate change, water scarcity, and social fairness are not just environmental problems — they are business issues that need to be managed and reported just like financial risks.

This article outlines the key developments companies — both domestic and multinational — need to understand in order to navigate the evolving legal, political, and economic landscape in Mexico, as ESG expectations continue to reshape the market.

Understanding the Bigger Picture

The Mexican economy is deeply exposed to the following climate-related risks:

- nearly two-thirds of the national territory faces some degree of water stress, with droughts intensifying across northern and central regions;
- over 50% of the Gross Domestic Product is generated in sectors — such as manufacturing, agriculture and tourism — that are either high emitters or acutely vulnerable to climate impacts; and
- Even Mexico's central bank stress tests already factor climate scenarios into financial stability analyses, influencing credit availability and cost of capital.

Against this backdrop, Mexico's incoming administration, led by President Claudia Sheinbaum, has positioned climate action as a pillar of national development. Her 100-step "Transformation" strategy elevates sustainable water management, clean-energy transition, and transparent ESG disclosure to top-tier policy priorities. The political mandate is clear: climate considerations are no longer peripheral; they should dictate how authorities regulate markets, allocate permits, and assess corporate conduct.

New Sustainability Reporting Obligations

Starting in 2025, companies preparing financial statements under Mexican Financial Reporting Standards (*Normas de Información Financiera*, "NIF") must disclose sustainability information in the notes to audited financial statements. Simultaneously, listed issuers will be required to publish stand-alone sustainability

reports aligned with international IFRS Sustainability Disclosure Standards.

For years, voluntary frameworks offered soft guidance. The landscape shifted in May 2024 when the Mexican Council for Financial Reporting and Sustainability Standards (“CINIF”) issued Mexican Sustainability Information Standards (“NIS”), the first authoritative sustainability standards within the national accounting canon. Shortly thereafter, in January 2025, the National Banking and Securities Commission (“CNBV”) cemented sustainability disclosures as a mainstream element of corporate compliance, by publishing a resolution amending the general provisions applicable to securities issuers the “CNBV Resolution”).

A comparison between key elements of the NIS and the CNBV Resolution

Frameworks nature

- NIS: The adoption of the NIS is not an amendment to Mexican law; rather, it modifies the official body of accounting standards. Unlike legislation enacted by Congress, these standards are issued by CINIF, an independent private-sector organisation in Mexico. As such, they are not subject to formal appeals.

- (a) Content: NIS A-1: Conceptual Framework for Sustainability Information, and NIS B-1: Basic Sustainability Indicators.

- CNBV Resolution: It is a formal amendment to a binding regulation, specifically, the general provisions applicable to securities issuers and other participants in the securities market (Disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes del mercado de valores).

Targeted entities

- NIS: Entities that prepare financial statements in accordance with Mexican Financial Reporting Standards, regardless of size, industry, or ownership structure.
- CNBV Resolution: Securities issuers in Mexico, both domestic and foreign, except for federal entities and municipalities.

Obligation

- NIS: Entities must provide Sustainability information.

- (a) Reporting method: Sustainability information must be presented within the notes of the financial statements audited.

- (b) Data period: Information must be prepared based on data as of the reporting period-end date. In terms of presentation, entities are required to disclose IBSOs with comparative figures from the prior year, as follows. However, for the initial reporting cycle covering fiscal year 2025, no prior-year comparison is required.

- (c) Information: Under NIS B-1, companies must disclose 30 Basic Sustainability Indicators, comprising 21 quantitative and 9 qualitative metrics. These indicators are organised into three thematic areas: environmental, social, and governance.

- (d) No materiality filter: Full disclosure is mandatory, meaning all entities must report every indicator, even if a metric is immaterial or has a value of zero. For quantitative IBSOs, companies must report both the absolute value and the relative (or intensity) value.

- CNBV Resolution: Entities must provide Sustainability Report.

- (a) Reporting method: A Sustainability Report should be filed when applying for registration in the National Securities Registry and public offering, and subsequently, with the submission of annual information reports.

- (b) Data period: Information must be prepared based on data as of the reporting period-end date.

- (c) Information and materiality: The Report must include information on the issuer’s sustainability-related risks and opportunities that could reasonably be expected to affect cash flow, access to financing, or capital costs in the short, medium, or long term. As a general rule, this sustainability information should comply with IFRS Standards, including any future modifications. (IFRS S1 for general ESG disclosures and IFRS S2 for climate-related risks).

Foreign issuers can prepare their Sustainability Information following IFRS sustainability standards or

apply the standards of their country of origin. In the latter case, it will be necessary for the issuer to disclose that the Sustainability Information has not been generated in accordance with IFRS Standards, and if applicable, the equivalence or interoperability with IFRS Standards.

Financial institutions and certain financial entities (such as non-regulated SOFOMES and issuers whose main activity is credit granting, factoring, or leasing) have to follow the specific rules for their sector.

Timing considerations and third-party audit

- NIS: The NIS were published in May 2024 and became effective in 2025. The first reporting period is for the fiscal year beginning on or after 1 January 2025 and ending on 31 December 2025.

- (a) Transitional relief: CINIF recognised the steep learning curve by granting limited transitional relief. Companies may defer disclosure of Scope 3 greenhouse-gas emissions and the “Sustainable Investment” indicator until the 2026 report, provided they explicitly disclose the deferral in the 2025 report. Comparative-period data are waived for the inaugural year, allowing preparers to focus on current-year accuracy rather than retrospective recalculation.

- (b) Audit Treatment: The CINIF has not determined that an external auditor must validate sustainability reports.

- CNBV Resolution:

- (a) 2026: Issuers must submit sustainability reports for the 2025 fiscal year; however, external auditor assurance is not required at this stage.

- (b) 2027: Reports must include at least limited assurance from an external auditor.

- (c) 2028: Reports must include reasonable assurance from an external auditor.

Water-Sector Reforms: From Scarcity Management to Rights-Based Governance

As of today, three key policy instruments have been put forward as part of the public policy strategy to achieve Sheinbaum’s’ 100-step “Transformation strategy: the National Hydric Policy and Water Management Strategy, the National Agreement for the Human

Right to Water and Sustainability and the General Water Law Initiative”.

Tripartite Water Strategy

National Hydric Plan 2024-2030

The primary policy instrument to achieve the current water-related commitments is the 2024-2030 National Hydric Plan, which outlines the administration’s long-term strategy for managing Mexico’s water resources. Unveiled by President Sheinbaum and senior officials in November 2024, the plan is designed to transition the country’s water management paradigm from a market-oriented model to one that prioritises sustainable use and equitable access. The Plan reframes water management around “water sovereignty” and climate resilience. Core strategies have been outlined below.

Digitalisation of administrative procedures: The policy mandates the creation of a centralised water registry (RENAB), replacing the outdated Public Registry of Water Rights. This new system aims to reduce bureaucracy while enhancing transparency and traceability. In this regard, on 26 March 2025, the National Waters Commission (CONAGUA) created the Single Digital Window for Water-Related Procedures as the online platform that will integrate all water-related procedures previously handled through the Water Mailbox system.

Creation of infrastructure projects: To combat water stress in critical areas, the policy includes plans for numerous infrastructural projects – ranging from dam and desalination plant construction to sanitation measures targeting key contaminated waterways such as the Lerma-Santiago, Atoyac, and Tula rivers; Tula being a focus area of several of President Sheinbaum’s environmental strategies aimed at creating a sustainability hub in Tula.

Inspection ramp-up: The policy calls for a national-level inspection program, enabling more effective oversight of water concessions and usage. Concession holders should anticipate more frequent interactions with CONAGUA.

National Agreement for the Human Right to Water and Sustainability

To advance President Sheinbaum's water policy goals, the Mexican government introduced the National Agreement for the Human Right to Water and Sustainability in late 2024. Signed by top officials from SEMARNAT, SADER, and CONAGUA, the agreement marks a significant step in government–industry collaboration. A central feature is its emphasis on multi-level coordination, which brings together federal, state, and municipal authorities, as well as stakeholders from agriculture, industry, civil society, and academia, to support sustainable water management.

Ensuring Sufficient Water Quantity and Quality: Committed federal, state, municipal, and private actors to guarantee universal access to potable water. This includes measures to regulate industrial water usage and mandates the return of unused water to the nation for human consumption.

Infrastructure Investment: The Agreement envisions significant investments in water infrastructure, including programs to modernise irrigation systems and improve water treatment processes.

Introduction of voluntary temporary water volume transmissions: One of the most innovative aspects is the voluntary commitment by major water users across various industry sectors to return water that is not actively used, achieved through signing individual temporary water transmission agreements with CONAGUA.

Even before the official publication of the Agreement, several captains of industry were approached and have been continuously approached by CONAGUA to discuss the potential for voluntary temporary water volume transmissions that may assist CONAGUA in achieving its goal of ensuring public access to water.

General Water Law Initiatives

In November 2024, an initiative was submitted to the Mexican Congress, through the House of Representatives, to introduce a new General Water Law that would replace and modernise the current National Waters Law by the Morena party. On 19 March 2025,

a similar initiative of an alternative General Water Law was presented by the Green Ecologist party.

Both proposals are aligned in most major sections of the law and include a thorough revision of existing water exploitation concessions upon publication. The following are the Key regulatory changes suggested by both proposals:

Wastewater reuse

New focus on recycled water

Industries that do not need pristine “first-use” water, such as food processing and pharmaceuticals, will be encouraged to rely on treated wastewater instead of fresh water.

A new type of legal authorisation, called a “treated-wastewater concession,” will be created so companies can formally secure the right to use recycled water.

Phase-out of direct discharges

Current concession holders (cities, factories, service providers, recreational sites) must either reuse their treated wastewater or pipe it into federal water infrastructure.

The goal is “zero discharge” by 2030; after that year, CONAGUA will stop issuing wastewater discharge permits that currently let users release wastewater into rivers or lakes.

The law does not yet clarify what happens to discharge permits that are still valid when 2030 arrives.

Water rights transfers

- Creation of a Transfer Centre: A new Water Rights Transfer Centre within CONAGUA will serve as the exclusive marketplace for reallocating water that concession holders return after use.
- Ground rules for transfers are:
 - (a) No transfers can occur within the first five years of a brand-new concession (renewals are exempt).
 - (b) A right can be transferred only for the same purpose it was originally granted (for example, water earmarked for farming cannot be shifted to industry).

- (c) Transfers must cover the entire volume of water attached to the concession, and they may be permanent between private or public entities or temporary in favour of CONAGUA, which will then reassign the water.
- Volume Reductions on Permanent Transfers: When a transfer is permanent, CONAGUA may reduce the volume to help restore overdrawn rivers or aquifers. Concessionaires can avoid this cutback by paying a “non-expiration guarantee” fee.

Emergency measures and enforcement

The Federal Attorney for Environmental Protection (PROFEPA) will become the sole body responsible for carrying out inspections, imposing sanctions, and ordering safety measures related to water-law compliance. Concession schemes will be modified, and users will have to consider the following to avoid being sanctioned or to reconsider their water supply strategy.

- Plans and Authority: Regional Basin Councils will be required to maintain valid emergency response plans. During extreme weather conditions, such as droughts, floods, and hurricanes, CONAGUA can temporarily suspend some users’ water rights and take direct control to ensure the continuity of drinking-water services.
- Three-Year Compliance Window: All concession holders will have three years from the law’s publication to meet its environmental and social obligations, including paying fees, measuring water volumes, respecting ecological flows, and honouring indigenous rights. After three years, CONAGUA will conduct an audit of compliance and may revoke concessions that fall short.
- Immediate One-Year Review for High-Risk Concessions- Within the first year, concessions will be cancelled if:
 - (a) they are in protected natural areas and harm ecosystems;
 - (b) the tap aquifers are already classified as over-exploited;
 - (c) they use wells whose depletion rates exceed official limits;
 - (d) they draw from water bodies polluted with toxic substances or unfit for irrigation; and
 - (e) enable oil and gas “fracking” or other stimula-

tion techniques.

- Eighteen-Month Review for Reserved Zones: Concessions in restricted or reserve areas will be re-examined within 18 months. They must demonstrate that they contribute to the sustainable use of resources, help restore hydrological balance, or improve water quality. Otherwise, they will be revoked.

Climate Change Relevance

New rules around sustainability reporting and water use are about to raise expectations for how companies in Mexico handle climate-related issues. These rules will require businesses to measure and publicly share their environmental impact, especially their carbon emissions and water usage. This information will influence how banks and investors view a company’s risk level and could directly affect their financing terms or whether they decide to invest at all.

What does this mean for your business?

Access to capital and financing

In March 2023, Mexico’s Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) published the Mexican Sustainability Taxonomy (*Taxonomía Sostenible de México*). This landmark framework translates broad concepts, such as climate action and water stewardship, into clear, measurable financial criteria. As a result, new rules around sustainability reporting and water use are set to reshape how businesses access capital and funding. Here’s how the Taxonomy drives that shift:

A unified ESG benchmark for credit and investment decisions

The Taxonomy provides banks and investors with a common standard for assessing whether a project contributes to climate mitigation, adaptation, or responsible water management. These metrics are now embedded in credit analysis; therefore, environmental performance has shifted from a reputational issue to a core financial concern. Companies involved in Taxonomy-aligned activities will score higher with lenders and may gain access to more attractive financing terms.

Specific criteria that link sustainability to financing eligibility

The framework outlines defined activities, such as cutting greenhouse gas emissions, protecting watersheds, and building resilience to climate impacts, along with technical thresholds for compliance. To remain competitive, business leaders must integrate these goals into both daily operations and long-term strategy. Failure to do so could result in higher borrowing costs or restricted access to capital.

A common basis for green and sustainability-linked financing instruments

By clearly defining what qualifies as “green,” the Taxonomy provides a shared reference point for issuing and assessing green bonds, sustainability-linked loans, and similar instruments. When a project meets the Taxonomy’s criteria, borrowers may benefit from preferential terms, such as lower interest rates or more flexible covenants. Typical triggers include achieving carbon-reduction targets or improving water efficiency, directly tying financial benefits to sustainability performance.

Differentiation between aligned and non-aligned activities

The Taxonomy distinguishes compliant activities from those that carry higher environmental risks. Companies that rely heavily on carbon-intensive processes or operate in water-stressed areas may face higher interest rates, stricter loan conditions, or shorter repayment periods. However, by adopting credible, measurable transition plans – such as emissions-reduction pathways or water-saving upgrades – these businesses can improve their risk profile and regain access to more favourable financing.

Environmental performance as a determinant of creditworthiness

In essence, the Mexican Sustainability Taxonomy elevates environmental performance to a key factor in capital access. Companies that move early to align with its standards will improve their standing in financial markets. Those that delay risk more expensive and limited financing options, as sustainability becomes a standard part of credit evaluation.

Mergers, acquisitions, and business deals

- ESG liabilities – particularly hidden water-permit irregularities or incomplete emissions data – will become deal-breakers or price-adjustment factors.
- Buy-side due diligence must incorporate NIS readiness and water-concession compliance into standard checklists.

Managing your supply chain

- Large companies will start requiring emissions and water-use data from their suppliers to meet their own reporting obligations.
- Suppliers who cannot provide this data may be dropped from contracts or face contractual penalties.

Legal and reputation risks

- Including sustainability data in audited financial reports increases the risk of lawsuits if the information proves to be incorrect. Investors could sue for misleading disclosures.
- Communities facing water shortages could use their legal rights to challenge company water use or demand compensation.

What to Watch for in 2025-2026

- More Reporting Requirements: New standards covering climate, biodiversity, and human rights will expand the list of what companies must disclose.
- New Water Law: Mexico’s Congress is expected to finalise a major water reform. While some details may change, the main goals – such as promoting reuse, limiting transfers, and auditing concessions – will likely remain.
- Guidance for Financial Institutions: The CNBV may release guidance on industry-specific metrics (eg, financial institutions’ financed emissions) that could refine assurance requirements.
- Shift Toward Integrated Reporting: Early adopters may begin combining financial and sustainability reports into a single digital format that aligns with international standards.

Ten practical steps to get ready

Companies that take proactive measures by aligning with the National Hydric Plan and establishing clear climate goals can influence future regulations and gain a competitive advantage. Effective communica-

tion of their ESG initiatives can attract investors who prioritise sustainability. Additionally, voluntarily participating in water-sharing initiatives can foster positive relationships with regulators and local communities. Here is how to prepare:

- 1. **Get Your Board Involved:** Brief directors on NIS and water law timelines and integrate ESG topics into board risk discussions.
- 2. **Conduct a Gap Analysis:** Compare your current ESG practices, policies, and permits with new legal requirements to identify any gaps.
- 3. **Build Strong Data Systems:** Assign clear roles, maintain version control, and consider investing in tools for tracking climate data.
- 4. **Update Internal Controls:** Expand your existing financial oversight to include climate and water data, with clear documentation of how these figures are calculated.
- 5. **Plan for Assurance:** Determine whether to obtain third-party verification of your ESG data early, prior to future mandatory requirements.
- 6. **Audit Your Water Permits:** Double-check your permits for their legal status, allowed volumes, and compliance, and assess your risk under the new water law.
- 7. **Explore Wastewater Reuse:** Investigate the costs and benefits of water treatment and reuse technologies in preparation for the 2030 zero-discharge deadline.
- 8. **Engage with Regulators:** Discuss voluntary water transfers with CONAGUA and explore opportunities for co-investing in infrastructure.
- 9. **Model Future Risks:** Utilise climate scenario analysis to comprehend your risks and connect the results to your business and investment strategies.
- 10. **Craft Clear Communications:** Develop a plan to effectively communicate your ESG efforts to investors, employees, and the public, thereby building trust and mitigating risk.

Conclusion

Climate change is no longer a distant concern in Mexico; it is already shaping new laws, influencing where money is allocated, and holding companies more accountable. The government's push for stronger sustainability reporting and major reforms in the water sector demonstrates a clear shift toward a low-carbon, water-secure future. Businesses that act now by improving their data systems, strengthening internal processes, and building climate-resilient operations will not only meet new rules but also gain a competitive edge, protect access to limited resources, and earn the trust of climate-aware investors. On the other hand, doing nothing comes with real legal, financial, and reputational risks. As 2025 approaches, it is more important than ever to make ESG a central part of business strategy – not just to stay compliant, but to turn challenges into long-term growth opportunities in the Mexican market.

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