

Mexico Power Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Mexican power market is expected to register a CAGR of more than 3% during the forecast period. The COVID-19 pandemic has drastically impacted the Mexican power market. The 3.6% fall in power demand changed the electricity production mix to the greatest extent, with coal-based power generation almost halved (reduced by more than 48%) in 2020, while renewables like wind and solar continued to rise with steady capacity additions. The market is substantially driven by factors like high power demand due to growing population and upcoming power generation projects, particularly to go parallel with the pace of urbanization in the country. However, the new government's intentions to reduce private investments and make the sector more state-owned can pose a significant threat to market growth.

Key Highlights

The thermal power generation segment is expected to dominate the market during the forecast period due to the country's recent plans to revive the fossil-fuels-based power sector.

Mexico's General Climate Change Law has set a target of generating 35% of total electricity from renewable sources by 2024. Such a target would create an opportunity for the power renewable companies to set up various projects to meet the target for the country during the upcoming years.

The new transmission projects are expected to drive the Mexican power market in the coming years.

Mexico Power Market Trends

Thermal Power Generation Expected to Dominate the Market

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Thermal power plants, which consist of oil-based, coal-based, nuclear, and natural-gas-based power generation in the country, will continue to maintain their dominance even by 2030. The new government has recently given dispatch priority to thermal power plants in the coming years, which can increase the share of thermal power more in the country, which even today forms the major part of 78% in the electricity generation mix.

Though wind and solar power generation have massively replaced coal technology in the last five years, this will not be the future trend. There are many upcoming coal- and natural gas-based power projects in the country. The oil-fired power sector will also rise but remain behind the gas-fired generation in the coming years.

In December 2021, the Merida Combined Cycle Power Plant-Stage IV construction started in Yucatan, Mexico. The project includes the fourth power generating station, a gas-fired combined cycle power plant having a capacity of 500MW. The expected completion year of the project is 2023.

In July 2020, a Mexican state-owned power utility announced plans to buy 2 million tons of coal for power plants after the government's directive to push for fossil fuels-based power generation. The deal happened with the coal producers of the northern border state of Coahuila.

Such developments in the country are expected to provide robust growth to the power market in Mexico.

Expansion of Transmission and Distribution Network Expected to Drive the Market

The transmission network of power in Mexico has witnessed a steady development over the last decade to respond to the growing power demand and accessibility issues.

As of 2020, the country's power transmission reached 1,05,885 km of line length and 1,14,807 MVA of transformer capacity at the 115 kV to 400 kV voltage levels. In order to expand the National Transmission network, the country has plans to add 1,072 circuit km of line length and 2,875 MVA of capacity under 19 expansion projects and 14 modernization projects by 2035.

In August 2021, the CFE (Federal Electricity Commission) announced plans to construct Mazatlan II Junction - La Higuera LT2, a 400kV overhead line with a length of 2km from Mazatlan Potencia, Sinaloa, Mexico, to La Higuera, Jalisco, Mexico. The project will commence in 2022 and is expected to commission in 2024.

In 2021, some other key projects were also planned for 2021-2035. One of them is the modernization of the Tecamachalco-Tlacotepec transmission line project in Tlacotepec and neighboring towns in Puebla. It is a 33 km transmission line having a voltage of 115kV. The expected commissioning year of the project is 2024.

Owing to such developments, it is expected that the new transmission plans will boost the country's power market.

Mexico Power Market Competitor Analysis

The Mexican power market is moderately fragmented. Some of the major companies operating in the market include Enel SpA, Comision Federal de Electricidad (CFE), Iberdrola SA, Acciona SA, and Vive Energia.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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