

To meet new environmental regulations due to take effect in 1998, the CFE plans to convert up to eight heavy fuel-oil generating facilities to natural gas, creating opportunities for suppliers of equipment and services, including instrumentation, metering and testing.

Continuing interest in alternative fuel for electricity generation provides opportunities for Canadian companies to approach small communities with proposals for small-scale production (under one megawatt) using alternative sources, or to propose small-scale (under 30 megawatts) generating projects based on alternative fuels to sell power to the CFE.

The Comisión Nacional para el Ahorro de Energía (CONAE, Commission for the Conservation of Energy) has estimated that the potential for co-generation projects could be anywhere from 7000 to 14 000 megawatts. However, progress has been hampered by difficulties in forming associations of enough users to reach economies of scale and by the uncertain economics of selling excess back to the CFE grid. Nonetheless, there is increasing industry and power sector interest in these types of projects, because of the enhanced reliability of power supply and the possibility for cost savings.

Attention is also focussing on using energy from waste/alternative fuel projects to supply industrial users. The Mexican Integrated Fuel Policy aims to encourage companies to reduce their reliance on heavy oils, and a new environmental law, to come into effect in 1998, will provide the regulatory back-up. Industry and municipal users are starting to explore energy from waste/gas injection to accomplish emission and fuel-cost reductions and to reduce waste disposal costs.

Constraints

Electricity generation projects have been slow to develop because of uncertainties surrounding the pricing and supply of fuel and the pricing and uncertainty of contracts to sell excess power back

to the CFE. The CRE has been implementing regulations intended to remove hidden rate subsidization, set rate ceilings, open transmission and distribution networks to third-party use, and provide other measures intended to level the playing field and attract needed investment.

Canadian manufacturers and suppliers of electrical power equipment are required to have this equipment certified by the CFE prior to bringing it to the Mexican market. This process is similar to the CSA (Canadian Standards Association) certification procedures, but can take many months if not handled correctly. Mexican buyers will not consider products that are not certified.

Strategy for Market Access

To take advantage of the opportunities, Canadian companies must be registered with the CFE. Equipment manufacturers and suppliers must have their products certified by the CFE prior to selling them in the Mexican market.

A Canadian SME can improve its chances of penetrating the Mexican market by developing a business relationship with a credible, well-known Mexican partner, usually as an agent or distributor. Generally, the Canadian company should arrange for this partner to visit Canada to become familiar with its products and service capabilities. Moreover, the Canadian company must be prepared to invest time and money in demonstrating its products and capabilities to Mexican decision-makers and to provide on-site technical expertise to support the first bids, sales and installations.

Action Plan

Market Intelligence and Information

- Establish a flash fax service to provide information on specific opportunities and policy updates to industry associations and interested Canadian companies.
- Publish a quarterly Canada-Mexico energy newsletter that includes upcoming tenders,

Canadian success stories and regional industrial profiles, and covers all energy sector activities.

- Attend American-Mexican Chamber of Commerce seminars and conferences on the energy sector.
- Develop and maintain databases of:
 - Canadian SMEs active in the electrical power equipment and services sector and interested in exporting;
 - Canadian companies active in the Mexican market.
- Conduct a study on secondary market opportunities for equipment and services; add this to Export *i*.
- Conduct a study to identify regional industrial concentrations — types of industry, power requirements, current arrangements, industry and regional government contacts etc.
- Develop a buyers' list for the power equipment sector.
- Update the sectoral study in Export *i*.

Market Access

- Develop and maintain contacts within the CFE and the CRE, as well as with regional governments in high-demand growth regions, at both the policy and working levels.
- Work with EDC to improve the use of lines of credit for power sector projects.
- Participate in Canadian Chamber (Mexico) Energy Committee.

Trade Promotion Activities

- Regional seminars for private- and public-sector decision-makers to promote specific Canadian technologies and to identify potential interest in co-generation.

- Seminars on small-scale hydroelectric production for regional government buyers (outgoing Canadian supplier or incoming mission of regional decision-makers for Canadian site visits), second quarter of 1998.
- Canada booth at IEEE Potencia in Acapulco, July 1998. The goal in the first year is to assess the show's usefulness to Canadian vendors, make contact with CFE and LFC technical buyers and showcase the products of Canadian SMEs.
- Incoming buyers' mission to Electricity 98, Toronto, April 26 to 29, 1998, including site visits and meetings.

Outreach

- Invitation to key CFE/CRE officials and large Mexican infrastructure developers to participate in the Independent Power Developers' Workshop in Washington, D.C., January 26 to 27, 1998.
- Regional seminars to promote Canadian expertise in alternative energy technologies.
- Promote links between Canadian and Mexican associations interested in alternative energy for small communities.
- Meet with industry associations and SMEs in Canada to discuss Mexican market opportunities and access issues, possibly in conjunction with sectoral seminars.
- Identify potential Canadian candidate(s) to present technical paper(s) at IEEE 98.
- Promote links between Canadian and Mexican industry associations.
- Publish quarterly newsletter in Spanish on Canadian industry innovations, technological advances, new products, success stories, etc., aimed at the energy sector as a whole, starting the first quarter of 1998-99.