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R K E T S U M M A R Y - M E X I C O

Power Equipment



THE OPPORTUNITY

The Mexican electrical power sector is in a state of transformation, creating excellent opportunities for Canadian suppliers of electric power equipment and services.

- Industrial corporations and small rural communities are now allowed to generate electricity for their own use.
- The *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, is committed to expanding the role of the private sector, using build-lease-transfer (BLT) and build-operate-transfer (BOT) financing schemes for most new electricity generation projects.
- *Luz y Fuerza del Centro (LyF)*, the Central Light and Power Company that services the Mexico City metropolitan area is now an independent corporation, with the right to construct its own generation facilities.
- A massive program of energy conservation, funded by the World Bank, will spend billions of US dollars on technical innovations.
- The *CFE* is placing increasing emphasis on the development of non-traditional energy sources such as photovoltaic and wind power systems.

A NEW ROLE FOR THE PRIVATE SECTOR

Under the Mexican constitution, the exploitation of energy resources is reserved for the state. In the case of electricity, the practical application

of this restriction has been gradually relaxed. A new electricity law, the *Ley de Energía Eléctrica*, Electric Energy Law, that came into force in 1993, retained the monopoly of the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, over electricity sold to the public. But for the first time, the law allowed the private self-generation of electricity by industries for their own use. It also allowed private generation for sale to the *CFE*. Moreover, the ten-year electricity plan that implemented these new rules included a greatly expanded role for the private sector in the construction of new electricity generation facilities within the *CFE's* jurisdiction.

The sharp devaluation of the peso in late December 1994, and the economic crisis it spawned, have placed even greater pressure on the *CFE* to use private-sector resources to expand the electrical system. In February 1995, a consortium of American and Mexican utility and engineering companies received a concession to construct a thermo-electric plant in northern Chihuahua state. The plant, dubbed *Samalayuca II*, will have a total production capacity of 700 megawatts generated in three separate units. The facility, which will be constructed at a cost of US \$650

SUMMARY REPORT

In addition to this market summary, the Department of Foreign Affairs and International Trade (DFAIT) has prepared a market profile entitled **Opportunities in Mexico: Power Equipment**. This market information on the Mexican market for power generation and transmission equipment and services has been produced and published by Prospectus Inc. under contract with DFAIT, along with other market profiles and summaries on business opportunities in Mexico. It is available from:

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© Minister of Supply and Services, March 1996

Cat. No. E73-9/43-1995-1E
 ISBN 0-662-23804-4

Disponible en français.

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Department of Foreign Affairs and International Trade
 Ministère des Affaires étrangères et du Commerce international

