



## A role for state governments in social licensing for renewable energy projects in Mexico

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### SUMMARY

In Mexico, energy governance has mainly been a federal matter. However, the state (regional) governments, motivated by environmental and climate concerns, economic development opportunities, and social community needs, have recently started to explore ways to facilitate renewable energy development. But although state governments claim renewable energy reduces energy poverty and express support for a just transition, these projects do not seem to have social licenses—explicit support for them to proceed—at the local community level. The discrepancy between rhetoric and reality is related to the way these projects are negotiated and implemented.

In this policy brief we examine two paths that the Mexican states can take to improve the social licensing of renewable energy projects. First, they can establish a framework for ethical conduct and evaluation of the potential impacts of renewable energy projects, including elements such as adherence to international standards, inclusive planning processes, and environmental and social impact assessments. Second, they can implement proactive, engagement-focused measures that empower state and local governments to facilitate renewable energy projects and reduce transaction costs.

## Introduction

In Mexico, energy policy has largely been considered a federal matter. However, over the last decade, several Mexican states have started to facilitate renewable energy deployment through long-term policy strategies, policy instruments, and the creation of state energy agencies (Elizondo et al, 2023). This policy brief seeks to stimulate debate on the roles of subnational government—state and municipal—in renewable energy development in Mexico, focusing on the communities affected by renewable energy projects.

The growing interest among state governments in facilitating renewable energy deployment raises the question: *What role(s) may state governments play in Mexico's energy transition?* This question is particularly important in the context of renewable energy, which is a decentralized resource. Whereas fossil fuel resources are limited to a handful of states (Tabasco, Veracruz, Chiapas and Tamaulipas), all Mexican states have renewable energy resources that can be developed.

Some states already apply sustainable development as a guiding principle for renewable energy development (Elizondo et al, 2023). There are synergies between elements of the Sustainable Development Agenda and renewables, namely SDGs 7 (Affordable and clean energy), 9 (Industry, innovation and infrastructure), 11 (Sustainable cities and communities), 12 (Responsible consumption and production), and 13 (Climate action). However, this connection may not be recognized by local communities. Instead, many oppose the renewable energy projects. This is not only a challenge in Mexico, but globally.

## Understanding social opposition to renewable energy projects in Mexico

The Mexican states seek policy domains where they have more authority, such as distributed generation, energy efficiency, and electrification of transportation. Given the current political landscape, several states have adjusted their decarbonization strategies in this direction (Elizondo et al, 2023). State governments seek to achieve renewable energy development for several purposes: climate change mitigation, economic development, green jobs, community development, energy access, and health.

However, energy transition in Mexico has sparked social conflict in locations where renewable energy facilities are built. There are many reasons why this happens, some being low payments for land and long leases, corruption (among community members, government authorities, and renewable energy companies), lack of respect for human rights and the spiritual values/sacred sites of communities, and ecosystem degradation. Often these problems overlap.

In addition, renewable energy development is particularly contentious in Mexico due to the agrarian reforms and the creation of *ejidal* (communal) property which followed the Mexican Revolution. Because solar and wind energy are land intensive, they compete with agricultural, forest,

and conservation land uses. By 2030, it is estimated that even though only 0.35% of Mexican territory will be used to produce renewable energy, 98% of that area will consist of common lands inhabited by the marginalized rural population, including many indigenous peoples (González-López, 2022).

In Mexico, 70% of indigenous peoples are poor and 40% of the speakers of indigenous languages live in extreme poverty, lacking access to the basic services water, health, education, and electricity (CONEVAL, 2019). They often live in rural areas next to non-indigenous communities that share a similar socioeconomic situation. Renewable energy projects are usually located in such areas. Negotiation takes place between the communities and large renewable energy firms, actors with divergent interests and political power. Local communities are not always supported by the authorities, be they federal, state, or local.

Local communities in general do not welcome renewable energy projects. They feel that governments, across all levels, are consorting with the companies, which are often transnational, and make decisions that go against their interests. Rural communities, both indigenous and non-indigenous, have opposed these projects because they see them as attempts at “land grabbing” (Ávila-Calero, 2017). Internationally, renewable energy firms spend between 1 and 5% of their gross income on the lease of land, and according to the European Wind Energy Association, land leasing represents 3.9% of their total costs. However, in Mexico, the rent is drastically lower—between 0.025 and 1.53%. In addition, landowners often have to sign long-term leases and are left with barren land after the contracts expire. Some renewable energy firms located in Chapulco, Puebla, for example, had a pending debt with the community for land lease. Moreover, as reported by the local media, the company in question lowered the lease from €0.21/m<sup>2</sup>/year to €0.16 and did not pay from 2018 to 2020. The other rates this firm committed to were €0.21/m<sup>2</sup>/year for road use, and €0.10/m<sup>2</sup>/year for platform installation. There are also claims against a firm in Tlaxcala that did not pay its employees for 120 days.

Communities also often experience that renewable energy projects deepen inequalities among their members and are divisive. This is because community leaders are often bribed by renewable energy firms that want to secure land quickly and get approval to move forward with projects. Some community leaders are given money to sign documents that have not yet been discussed and accepted by community members. Another practice, as reported in the case of one transnational corporation, is to have members sign long documents and take them away before they can see their content. This corporation was also known to employ private security forces to intimidate community members in Hidalgo and Tlaxcala. This has also happened in Oaxaca, where communities accuse companies of changing the structure of assemblies, falsifying signatures, and approving agreements without quorum, as well as buying out common property leaders and government authorities.



Figure 1. Causes of conflict related to wind farms in Mexico. Source: Greenpeace, 2021.

A related problem is the lack of transparency. Projects are not fully explained beforehand, violating the right to free, prior, and informed consent (FPIC) (Gardner, 2019). This is particularly acute among indigenous communities that are required to approve large scale projects in Mexico, where we find instances of transnational corporations not recognizing the communities as indigenous in order to avoid FPIC requirements. This goes against UN guiding principles.

Communities also claim that renewable energy projects cause land degradation in several different ways. Ecosystems are affected by the installation of both wind turbines and solar panels, often displacing native ecosystems that have significant value, as in the case of Malpaís in Hidalgo. Additionally, renewable energy projects disregard sacred and cultural sites meaningful to the community, as well as their spiritual values (Velasco-Herrejón, 2022). Once built, the projects require the exploitation of scarce water supplies, particularly for cleaning solar arrays. Finally, when the land is left idle, it eventually degrades and becomes barren.

Companies sometimes give in-kind help, but it is not necessarily what people need. There is no conclusive evidence that promised improvements in health, education, or the livelihoods of affected communities actually occur (Oviedo-Toral et al, 2022; Nunez et al, 2020; CCC, 2015).

A 2021 Greenpeace report analyzed 111 wind and solar projects from 2012 to 2020 that were in operation or at the authorization stage. 46 of them were associated with some type of conflict reported by the press. The states reporting most conflicts were Oaxaca (26 cases) and Yucatán (12 cases). The map in Figure 1 shows the distribution of conflicts related to wind farms, as well as their main causes.

As the paragraphs above explain, most of the conflicts between communities and renewable energy firms are not related to renewable energy technologies as such, but to the way in which the projects are negotiated and implemented (Velasco-Herrejón, 2022). Communities experience that their voice does not matter and that their livelihoods and culture are not respected. Social Impact Assessments—provided they are carried out in a serious manner—may help (Martínez and Komendantova, 2020).

### Policy recommendations

To ensure social licenses for renewable energy projects, state governments can pursue two paths simultaneously:

Policy recommendation 1: Establish a framework for ethical conduct and evaluation of the potential impacts of renewable energy projects.

States can ensure that only responsible and socially conscious developers are considered for projects, and that the planning processes provide valuable insights into the potential consequences of projects. This may be done by several means.

First, state governments can choose to only engage with renewable energy companies that adhere to international standards such as the OECD Guidelines for Multinational Enterprises, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

Second, the states may *proactively* facilitate a more inclusive planning process. For instance, investing renewable energy firms can be required to present a draft

to the state and the community so that the final project can be co-designed with the community and other local social actors, such as researchers and municipal governments.

Third, the states can ensure that Environmental and Social Impact Assessment studies follow an internationally acceptable methodology (Martínez and Komendantova, 2020).

Policy recommendation 2: Empower state and local governments to facilitate successful renewable energy projects and reduce transaction costs.

To lower transaction costs and improve the likelihood of the successful implementation of renewable energy projects, state governments must engage in proactive measures. These must ensure social licensing is not a task for one level of government alone but requires cooperation across levels, and especially the involvement of the municipal level, which is closer to affected communities.

Proactive actions also involve measures such as streamlining state and local permit-granting processes, providing regulatory certainty, enhancing transparency, investing in infrastructure, establishing land use policies, engaging with local communities, and helping to build the capacity of the local workforce. These are essential complements to the screening measures.

Much remains to be learned and this policy brief only includes a broad schematization of how to improve the process. In the future, it would be worthwhile to review the institutional arrangements that have been instituted by other countries to reduce social conflicts. For example, in South Africa equity ownership is common (Baker, 2020), in the Netherlands renewable energy cooperatives have been established, and Germany designed their feed-in tariff (FiT) to support small-scale community providers rather than the existing utilities (Carrasco, 2020).

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