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FEATURED Q&A

How Can Mexico Strengthen its Electrical Grid?



Rolling blackouts hit several Mexican cities this month as temperatures soared. // File Photo: Mexican Government.

Q Multiple cities across Mexico were hit by rolling blackouts this month amid a heat wave that has recorded some of the hottest temperatures in the country in more than 20 years. What are the root causes of the blackouts, and how likely are they to happen again? Is the government doing enough to address them? What kind of an economic impact are the outages having on the country? What's at stake for the electricity sector based on who is elected president on Sunday?

A Arantza Alonso, senior analyst for the Americas at Verisk Maplecroft: "Mexico falls in the high-risk category of Verisk Maplecroft's Energy Resilience Index, which assesses the risk posed to the availability and continuity of the national energy supply. Among Latin America's six largest economies, Mexico is the second-worst performer on our index. Recent countrywide power cuts were caused by a surge in demand, exacerbated by extreme heat. This, along with historic water supply lows, aging infrastructure and supply constraints caused by limited generation capacity, resulted in system overloads. The grid was prevented from handling soaring electricity demand. Power failures disrupt industrial and commercial activities, leading to colossal economic losses. An unreliable power supply could deter new investments to the tune of \$35 billion, according to the Mexican Confederation of Business Owners (Coparmex). Future blackouts are bound to occur unless substantial investments take place. Mexico needs long-term planning to provide maintenance to the electric system's infrastructure and to diversify power generation. Front-runner Claudia Sheinbaum has

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BUSINESS

Grupo Sura Withdraws From Colombia's Health Care System

Grupo Sura announced that it is withdrawing from Colombia's health care system because the government is not providing it enough resources to cover rising costs.

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ECONOMIC

Mexico to Resume Oil Shipments to Cuba: Report

Shipping data showed that Mexico is planning to resume oil shipments to Cuba. Shipments were paused in February.

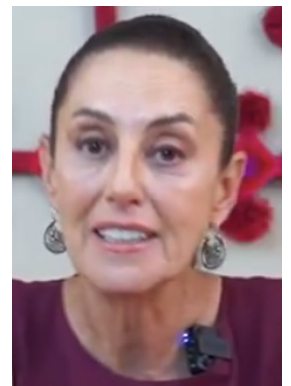
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POLITICAL

Candidates for Mexico's President Close Campaigns Ahead of Election

Mexico's presidential candidates closed their campaigns ahead of Sunday's election. The ruling party's Claudia Sheinbaum has a double-digit lead in polls ahead of her rival, Xóchitl Gálvez.

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Sheinbaum // File Photo: @Claudiashein via X.

POLITICAL NEWS

Mexican Candidates Close Campaigns Ahead of Election

Mexico's presidential candidates on Wednesday officially closed their campaigns ahead of the country's election, in which voters will choose not only the country's next president, but also members of Congress, as well as state and local officials, Reuters reported. Voters will choose candidates for more than 20,000 positions, and nearly 100 million Mexicans are eligible to vote in Sunday's election, the wire service reported. Claudia Sheinbaum, a scientist and former mayor of Mexico City, holds a double-digit lead in polls as she seeks to become the country's first female president. The candidate of the ruling Morena party, Sheinbaum vowed Wednesday at her closing campaign rally in Mexico City's main Zócalo square to build upon outgoing President Andrés Manuel López Obrador's legacy, Reuters reported. "The foundations have been laid," said Sheinbaum, praising the current president for his efforts to fight poverty and violence. López Obrador's government "has returned to us the pride of being Mexicans," she added, the Associated Press reported. Sheinbaum vowed to continue the outgoing president's initiative to offer apprenticeships to youths in order to prevent them from joining drug cartels. "We will deepen the strategy of peace and security, and the progress that has been made," she said, the AP reported. "This is not an iron-fist policy. This is justice," she added. Sheinbaum's main rival, Xóchitl Gálvez, a businesswoman and former senator, on Wednesday blasted López Obrador's record on crime. "Enough with the lies! They say Mexico is better than ever, and it's not true ... Mexico wants peace and tranquility," Gálvez said at a rally in the town of Los Reyes Acaquilpan, in Mexico state, as she closed her campaign, Reuters reported. During his term, López Obrador has been unable to substantially reduce Mexico's level of violence, the AP reported. The homicide rate is currently more than 30,000 killings annually. Late

Wednesday, a mayoral candidate in the town of Coyuca de Benítez, in Guerrero state, was fatally shot. The candidate, Alfredo Cabrera, was shot in the head at his closing campaign rally, the AP reported.

BUSINESS NEWS

Sura Withdraws From Colombia's Health Care System

Colombian insurance provider Grupo Sura said Tuesday that it is withdrawing from the South American country's health care system because the government is not providing it enough resources to cover its rising costs, the Associated Press reported. "The Colombian health system faces major challenges that have been going on for some time and have been aggravated by budget insufficiency in recent years," Grupo Sura said in a statement, Finance Colombia reported. "We have done everything we can to protect the lives and well-being of our members, including by evaluating different alternatives in the current legal framework and in the government's new proposals." However, it added that "at this time we must take steps to prevent further deterioration, which would prevent us from meeting our obligations," Finance Colombia reported. Colombian opposition politicians expressed regret at the company's withdrawal, and they accused President Gustavo Petro's government of seeking to push private insurance companies out of the market in order to force Colombians to rely on state-owned insurance companies, the AP reported. "The crisis at Sura is the crisis of our country," former President Álvaro Uribe said in a posting on social media site X. "I hope there are widespread actions against these government decisions that are destroying the health sector," he added. Colombia's government establishes rates for health insurance payments using a calculation that is largely based on a person's income, the AP reported. Monthly insurance payments are then placed into a government-run fund, which

NEWS BRIEFS

Brazil Withdraws Ambassador to Israel

Brazil withdrew its ambassador to Israel, Frederico Meyer, on Wednesday, following months of sharp criticism from Brazilian President Luiz Inácio Lula da Silva over Israel's military offensive in Gaza, the Associated Press reported. An unnamed source told the AP that the decision was a response to Israeli Foreign Minister Israel Katz summoning the Brazilian ambassador for a public scolding at Jerusalem's Holocaust museum following comments Lula made comparing the war in Gaza to the Holocaust.

Milei's Deregulation Bill Advances to Senate Floor in Argentina

Argentine President Javier Milei's so-called "omnibus" deregulation bill on Wednesday advanced to the Senate floor after it had been stalled for weeks in the upper chamber, Bloomberg News reported. The Senate's general, budget and constitutional committees advanced the legislation to the full Senate for a vote. The measure won approval in the lower house after it was watered down. Milei's party holds just seven of the Senate's 72 seats, while the opposition holds 33 seats, meaning Milei has had to negotiate with centrist lawmakers.

Argentina to Allow Unloading of Blocked Petrobras Gas Shipment

Argentina's government announced Wednesday that it would unblock a Petrobras gas shipment whose unloading was halted over payment issues, Reuters reported. The decision comes amid gas shortfalls and targeted service cuts in Argentina, exacerbated, in part, due to recent cold weather. "It is a very harsh winter, and demand went from 44 million cubic meters to almost 70 million," presidential spokesman Manuel Adorni said at a press conference.

makes payments to insurance companies that pay hospitals and other health care providers on behalf of their customers. However, Colombians file thousands of complaints every year, saying that insurance companies take excessively long to approve surgeries and other medical procedures and sometimes deny critical treatments, the wire service reported. Petro has said the problems of the health care sector could be eliminated by replacing private health insurers with a government-run agency that would make payments directly to hospitals and manage all of the country's patients.

ECONOMIC NEWS

Mexico Reportedly to Resume Oil Shipments to Cuba

Shipping data revealed Wednesday that Mexico intends to restart its oil exports to Cuba amid the island's ongoing struggles against power shortfalls and electricity blackouts, Reuters reported. Mexico began exporting oil to Cuba last year and had been sending an average of 21,000 barrels of crude and liquefied petroleum gas per day—exports that Mexican state-owned oil firm Pemex valued at \$400 million over the course of the second half of last year—but those shipments were paused in February. Vessel tracking data analyzed by financial firm LSEG, however, showed that the Cuban Vilma tanker arrived at Mexico's Pajaritos anchorage this week, where it is waiting to load oil headed for Cuba, Reuters reported. Mexican President Andrés Manuel López Obrador has been sharply critical of the U.S. economic blockade against Cuba, which is among the factors that has impeded the island's ability to import fuel from suppliers and contributed to the rolling blackouts that have become a regular disruption in Cuba, alongside longstanding issues with the nation's infrastructure and distribution to power plants, Reuters reported. Power outages have begun to affect the capital, Havana, which historically has been spared from the worst of the nation's shortages.

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vowed for the Federal Electricity Commission (CFE) to remain a strategic public company. Namely, the CFE would maintain its 54 percent market share in electricity generation, leaving only 46 percent to private companies. On a very different stance sits presidential candidate Xóchitl Gálvez, whose plans include bringing back the electricity auctions through which private operators competed against the CFE for cheaper and cleaner energy. All in all, this means the next president's policies and priorities, particularly regarding infrastructure investment and energy supply diversification, will be key to shaping the future of the electricity sector."

A Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos in Mexico City: "Mexico has had some of the hottest temperatures on record, and so has the world. These are not going away, as global warming promises to continue such trends. Therefore, we must learn to mitigate and adapt, and clean and abundant electricity will play an important role in this regard. The so-called alert or emergency

“Mexico needs to invest more in both generation and transmission...”

— Nicolás Mariscal

operational status happens when there is a sudden imbalance between the supply and demand of electricity in Mexico. These are supposed to be rare events. Nevertheless, since January, there have been numerous ones and, as spring arrived and we are approaching summer, they have increased, as there is not enough electricity. What are the costs of such power cuts? According to the National Council of the Maquiladora and Export Manufacturing Industry in Mexico (Index, by its Spanish acronym), losses amount

to \$200 million dollars for every hour without electricity just in the manufacturing industry. Presidential candidates are aware of this issue, and have said that they will address it. Mexico needs to invest more in both generation and transmission, and clean energies are an opportunity in this sense. Specifically, the private sector could commit important amounts of funds through public-private partnerships. In a hotter world, there is no time to lose."

A Regina Legorreta, senior counsel at Holland & Knight: "Mexico's national electric grid operator, the National Center for Energy Control (Cenace), constantly monitors generation outputs and consumption requirements, and it estimates future consumption curves to determine the reserve margin needed to meet consumption variabilities. If the reserve margin doesn't meet the minimum required thresholds, Cenace may declare a state of alert or emergency and undertake necessary actions to avoid failure to meet consumption needs with the available generation outputs, including ordering supply interruptions. Cenace's failure to meet consumption variabilities that have resulted in blackouts are a result of several factors. They include rising population, energy demand increase (due in part to the nearshoring effect), a lack of new generation assets, a lack of new transmission and distribution infrastructure, power plant maintenance that requires output reduction, record-breaking temperatures, and elimination of daylight saving time. The economic impact of the outages are in the millions. The textile and export manufacturing industry's national council has estimated losses of up to \$200 million per hour. Hotel and tourist industries have reported cost overruns affecting their operations. Blackouts are likely to keep occurring as consumption variabilities' root causes are unresolved. Regardless of who is elected president on Sunday, the new administration will face

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a great challenge, and an opportunity, to address the lack of generation and transmission capacity across the country. It is also a problem that will require intervention from the private sector because one thing is clear: the status quo will mean more blackouts, less investment and price increases across the whole value chain.”

A **Wolfram F. Schaffler González, independent historical researcher and advisor on Mexican international trade and public policy:** “The frequent blackouts in Mexico, a consequence of a heat wave, stem from an overburdened electricity grid, inadequate infrastructure and reliance on fossil fuels, all exacerbated by climate change. Under the leadership of Manuel Bartlett, an old-school politician opposed to clean energy, the Comisión Federal de Electricidad (CFE) faces significant challenges. These are compounded by President López Obrador’s interest in strengthening the state-run CFE, making the adoption of renewable energies difficult and further complicating efforts to modernize the national electricity grid. Consequently, future blackouts are likely unless substantial improvements are made. The government’s current measures are insufficient. Despite some investments in the grid and renewable energy, they lag behind rising demand and climate challenges. Economically, the outages disrupt industries, leading to financial losses and supply chain interruptions, while small businesses and households face increased operational costs, reduced productivity and extreme heat. Sunday’s presidential election is pivotal for the electricity sector. Claudia Sheinbaum of Morena, with a Ph.D. in environmental engineering, offers a different perspective from López Obrador, potentially steering energy policy toward sustainability. Her opponent, Xóchitl Gálvez, an engineer and clean energy advocate, also promises a shift from the current government’s position toward renewable energy. Some speculate that the blackouts could be a tactic by the

current government to cast doubt on the election results if Sheinbaum does not win. This recalls the controversial 1988 election overseen by Bartlett, where an electoral system ‘breakdown’ led to a disputed victory for Carlos Salinas de Gortari. In any case, the election’s outcome will be crucial for Mexico’s energy future and democratic integrity.”

A **Adrian Duhalt, research scholar at Columbia University’s Center on Global Energy Policy:** “Mexico recently experienced a heat wave that exhibited the risks associated with climate change and the woes of the current administration’s energy policy. Soaring temperatures this month, which were among the highest registered in years, triggered power demand increases that at the same time prompted blackouts affecting several cities all over the country. The ability of the power generation infrastructure to meet sudden demand increases, as in the case of heat waves, has deteriorated amid chronic underinvestment. This underlying issue must be addressed. Failing to do so could have several implications, for example, it may increase the likelihood of similar blackouts occurring again, especially in a context of more frequent heat waves, and narrow Mexico’s prospects to promote economic growth and capture investments due to the geographical relocation of supply chains (nearshoring). With the United States imposing additional tariffs on Chinese products such as electric vehicles, advanced batteries, solar cells, semiconductors and critical minerals, Mexico could emerge as a strategic ally. But that will require a reliable power supply. Regardless of who wins Mexico’s presidential election on Sunday, the next government must address the power sector shortcomings, perhaps by investing in a greater deployment of renewables as well as storage and transmission lines. To a significant extent, the prospects of a stronger partnership with the United States hinges on the energy policies Mexico chooses to follow during the rest of the decade.”

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