

MAKING THE PARIS AGREEMENT A SUCCESS FOR THE PLANET AND THE PEOPLE OF MEXICO

COP26 Briefing:
From igniting community conflicts to unfolding social performance through renewable energy

November 2021

Social Performance Action Area 1 –
Project governance: Restoring community trust in renewables through inclusive planning and implementation processes

Social Performance Action Area 2 –
Land use planning: Promoting best practices to embrace traditional and local land use

Social Performance Action Area 3 –
Project ownership: Reconsidering renewable energy investments and revenues



COBENEFITS Mexico

This COP26 briefing has been prepared based on the Discussion Paper “Social Performance Index (SPI)” in the context of the COBENEFITS project, led by IASS Potsdam, and in collaboration with the CONECC Mexico project, led by GIZ. Both projects are funded by the International Climate Initiative (IKI) of the German government.

Preface

The Mexican government has reiterated its commitment to transforming the country and bringing greater equality and social justice to Mexican citizens. At the same time, the country is faced with the challenge of fomenting an energy transition that will allow it to meet its national and international climate objectives.

IASS/GIZ (2019). Co-benefits of energy efficiency and renewable energies for sustainable development in Mexico. CONECC Briefing, October 2019

With the Energy Transition Law (Ley de Transición Energética, LTE) enacted in 2015, Mexico's government established a legal framework to push towards a greener power sector. The LTE target of increasing Mexico's share of renewable energy sources in its power generation to 35 % by 2024 has been amended by setting additional targets for 2030 (38 %) and 2050 (50 %) through the Transition Strategy to Promote the Use of Cleaner Fuels and Technologies, issued in the year 2020. By the end of 2020, the share of renewable energy sources in the country's power generation had reached 27.6 % (65,401 GWh).

However, Mexico's transition towards higher shares of renewables has not been entirely swift. While a variety of social and economic opportunities for renewable energy have been reported for Mexico, many renewable energy projects, particularly wind energy projects, have since been subject to social discomfort. Communities in the state of Oaxaca in particular have brought attention to difficulties they have experienced with the development of wind parks. In one instance, expectations raised by project developers that local communities would financially benefit from wind energy projects were not fulfilled, leading to dissatisfaction among these communities. Consequently, communities are being polarized and are dividing into those in favour and those against renewable energy projects.

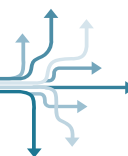
When taking office in December 2018, the Mexican government under President Obrador made social politics a top priority, particularly by aiding indigenous and marginalized communities across the country. Given the social discomfort towards renewable energy projects and with the president's agenda towards more social politics, the **social performance of renewable energy is likely to define the future direction and pace of Mexico's energy transition.**

Social performance of energy sector investments refers to direct and positive social impacts on the well-being of individuals and communities during the development and implementation of energy projects and the access to locally generated energy, either in a monetary or a non-monetary way. Social performance can be used to compare how different energy options (e.g., a renewable wind park or a coal-mining site) effectively and comprehensively improve the lives of people and local communities.

IASS (2021): Social Performance Approach: Fostering community well-being through energy-sector investments.

The Social Performance Index (SPI) for energy sector investments is a tool to systematically assess, monitor, compare, and communicate the social performance of energy projects for communities in terms of their (positive/negative) social impact on the well-being of communities.

IASS (2021): The Social Performance Index: Assessing and monitoring community well-being through energy-sector investments.



1. Case Study: Social Performance of renewable energy in Mexico

In an explorative study conducted by IASS Potsdam in the context of the COBENEFITS project in 2020, a Social Performance Index (SPI) was developed with stakeholders of communities who had been positively or negatively impacted by renewable energy projects. The study centred on two questions:

- **How does a renewable energy project perform socially, i.e., how does it contribute to the well-being of individuals and local host communities?**
- **How can the social performance of renewable energy projects to improve and sustain the well-being of individuals and local host communities be ensured and enhanced?**

This case study builds on insights from consultative interviews with renewable energy experts, activists, community leaders, representatives of non-governmental organizations, and public officials from the environmental sector in Mexico. The interviews shed light on diverging perspectives and experiences with renewable energy projects in Mexico regarding their social performance for local communities. The interviews explored the different notions and understandings of what social performance means for communities in Mexico as well as the perceived status quo and the prospects of renewable energy projects performing for society.

The interviews were conducted between September and November of 2020. The input gathered from the interviews was connected to previous research (IASS/GIZ 2020). The interviews were semi-structured and guided by the following queries:

1. Expertise and field experiences related to the interviewee
2. Impacts of renewable energy projects on local communities and existing conflicts
3. Building a future where renewables effectively deliver social benefits
4. Success stories where renewables create a positive impact in the communities

Table 1: Stakeholder perspective

Represented perspective	Organization type	Number of interviewees
Community energy and gender activist	NGO	1
Community well-being and environmental legislation activist	NGO	1
Indigenous community representative	NGO	1
State government “territorial and environmental conflicts” representative	Public sector	2
State government climate policy representative	Public sector	2
Renewable energy expert	University	1

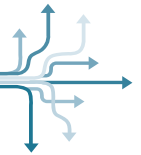
2. Exploratory Social Performance Index for Mexico

The presented Social Performance Index summarizes the identified functionings and facilitators of well-being connected to local energy development processes in Mexico. The identified social performance targets have been supplemented with indicators, building on the interviews and external sources (such as ICAT 2020).

Given the limited stakeholder group and time of involvement, the presented SPI should be considered of exploratory nature. It can serve as a basis for empirical studies and policy consultation processes to advise and increase the social performance of energy projects, mitigate social conflicts, and identify unexplored social opportunities, not least with a view to make the Paris Climate Agreement a success for the world and its communities.

Table 2: Social Performance Index (SPI), exploratory for Mexico

Functionings (dimensions) of well-being						
Social performance targets	Employment opportunities	Local economic value creation	Community cohesion and social inclusion	Secure livelihoods	Status (pride/dignity)	Healthy, nurturing environments
Lead indicator	Jobs (FTE) create	Local annual tax revenue	Community funds: annual budget	Share of population with an average monthly income above the social security limit	Share of population with high-income in comparison with country/state/...	Share of local population with pollutant-induced diseases
Secondary indicator	High- and middle-income jobs (FTE) created	5-year trend in local enterprise development	Local community/social programmes: annual budget	Safety: number of robberies/burglaries/homicides	Number of external visitors to local RE site	Land autonomy: share of area owned by community
Functionings (enablers) of well-being						
Social performance targets	Education and skilling	Physical and service infrastructure development	Transparency and inclusiveness	Energy access	Equity	Long-term perspective
Lead indicator	Number of participants in skilling programmes directed to the community	Number of local physicians per 1000 inhabitants	Inclusive planning and procurements processes	Local electricity costs/tariffs per kWh	Financial ownership of the lowest income group in revenue	Share of the 20–40 year-olds among local population (5-year trend)
Secondary indicator	Number of high-skilled persons among local population	Number of grocery stores per 1000 inhabitants	Share of population informed about social and economic benefits related to the project	Share of local population unable to pay electricity bill	Representation of the lowest income group in decision-making (political ownership)	Local private investments (and/or public investments)



3. Policy options to increasing social performance and mitigating social conflicts

Through the stakeholder interactions, enabling policy options have been identified which would increase the social performance of renewable energy projects and mitigate social conflicts in affected communities. The exploratory study identified three action areas with enabling policy options to facilitate the social performance of renewable energy projects for communities in Mexico. This is outlined in more detail in Box 1.

- 1. Project governance:** Restoring community trust in renewables through inclusive planning and implementation processes
- 2. Land use planning:** Promoting best practices to embrace traditional and local land use
- 3. Project ownership:** Reconsidering renewable energy investments and revenues

Box 1: Social Performance Action Areas: Facilitating community well-being through renewable energy development in Mexico

SP Action Area 1 – Project governance: Restoring community trust in renewables through inclusive planning and implementation processes

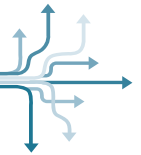
- Existing mandatory consultations can be further strengthened by incorporating specific guidance for improving the accessibility and readiness of the information to ensure that all community members can follow and participate in the process.
- Specific measures include actively approaching community members to increase their awareness in the development process, simplifying the language of the process by communicating a clear schedule of project development and consulting about the start of the planning phase, and ensuring the project's transparency in terms of scope, investors, and beneficiaries.
- Specified guidance to inclusive project planning and implementation along these measures could foster the active participation of community members in local assemblies and increase local ownership, community trust, and support in renewable energy projects.
- A high level of transparency, particularly concerning financial flows around the projects created within and outside communities would also help to counter existing corruption problems in medium and large-scale infrastructure projects. Practices used by public officials and developers such as non-transparent procurement processes and fixing over-priced contracts have been denounced by the Ministry of Energy (SENER) and the President of Mexico.
- Opening tendering processes through more transparent procurement decision frameworks and including members of the communities as part of the decision board could reduce corruption. Reducing loopholes for corruption can enhance the process, facilitate negotiations, and mitigate conflict. Cases of corruption have been repeatedly denounced by communities in the different stages of the development and implementation of renewable energy projects in Mexico.

SP Action Area 2 – Land use planning: Promoting best practices to embrace traditional and local land use

- Land and soil have special significance for communities beyond their economic value and legal ownership, issues that are typically considered in planning renewable energy projects. A local-cultural understanding and recognition of the non-economic values of land for communities can be actively fostered by a regardful continuous dialogue with community leaders, native families, and local producers to share their knowledge on existing and historical land use.
- In addition to recurring inquiries and dialogue sessions with community members, developers, and local authorities, the understanding and recognition of the non-economic values of land for communities could be further enhanced by collaborating with local universities and academic experts in mapping the territory according to productive and heritage use.
- Promoting best practices to respect traditional and local land use in the development and implementation of renewable energy projects would help to counter unconsented changes in land and soil use from their traditional activities such as agricultural, forestry, preservation, or traditional uses and customs, thereby tackling the frequent unease especially rural and indigenous communities in Mexico feel regarding the development of renewable energy projects.
- A proactive and intentional approach of project developers, incentivized through best-practice guidance by public authorities, could reduce conflicts with traditional customs, local industries, and with native protected lands while founding a respectful and mutually beneficial relationship with local communities.

SP Action Area 3 – Project ownership: Reconsidering renewable energy investments and revenues

- Community-oriented ownership schemes directed towards smaller-scale investors and locally shared investments, such as community shares, mini bonds, revenue-based financing, and co-investment in communal off-grid solar, should be explored to simultaneously increase the financial ownership of local citizens, increase families' income, and increase local private investments.
- Local participation can increase the awareness of the social performance of local energy investments and regain trust in renewable projects.
- Traditional ownership and procurement schemes such as large-scale auctions in both fossil and non-fossil energy projects are currently poorly received by communities in Mexico. Community-oriented ownership schemes can play an important role in re-establishing confidence not only towards the established developers and public stakeholders but also in renewable energy technologies in general.



Recommended reading

IASS (2021). Increasing the Social Performance of Renewable Energy Projects for communities in Mexico. Applying the capabilities approach to place communities at the center of the energy transition. COBENEFITS Impulse, available online: www.cobenefits.info

IASS (2021). The Social Performance Approach: Fostering community well-being through energy-sector investments. Discussion Paper, IASS Potsdam

IASS (2021). The Social Performance Index: Assessing and monitoring community well-being through energy-sector investments. Discussion Paper, IASS Potsdam

IASS & GIZ (2020). Co-Benefits: How the Energy Transition contributes to Sustainable Development. COBENEFITS/CONECC Report. <https://www.iass-potsdam.de/en/output/publications/2020/co-benefits-how-energy-transition-contributes-sustainable-development>.

Government of Mexico (2019). Crunching numbers – Quantifying the sustainable development co-benefits of Mexico’s climate commitments. September 14, 2021. <https://www.gob.mx/agenda2030/documentos/crunching-numbers-quantifying-the-sustainable-development-co-benefits-of-mexico-s-climate-commitments>.

COBENEFITS: Unlocking social and economic co-benefits for a just and sustainable energy future

The COBENEFITS project supports national authorities and knowledge partners in countries worldwide to connect social and economic co-benefits of decarbonizing the power sector to national development priorities and to mobilise these co-benefits for early and ambitious climate action. The project supports efforts to develop enhanced NDCs with the ambition to deliver on the Paris Agreement and the 2030 Agenda on Sustainable Development (SDGs) and to enable a just transition.

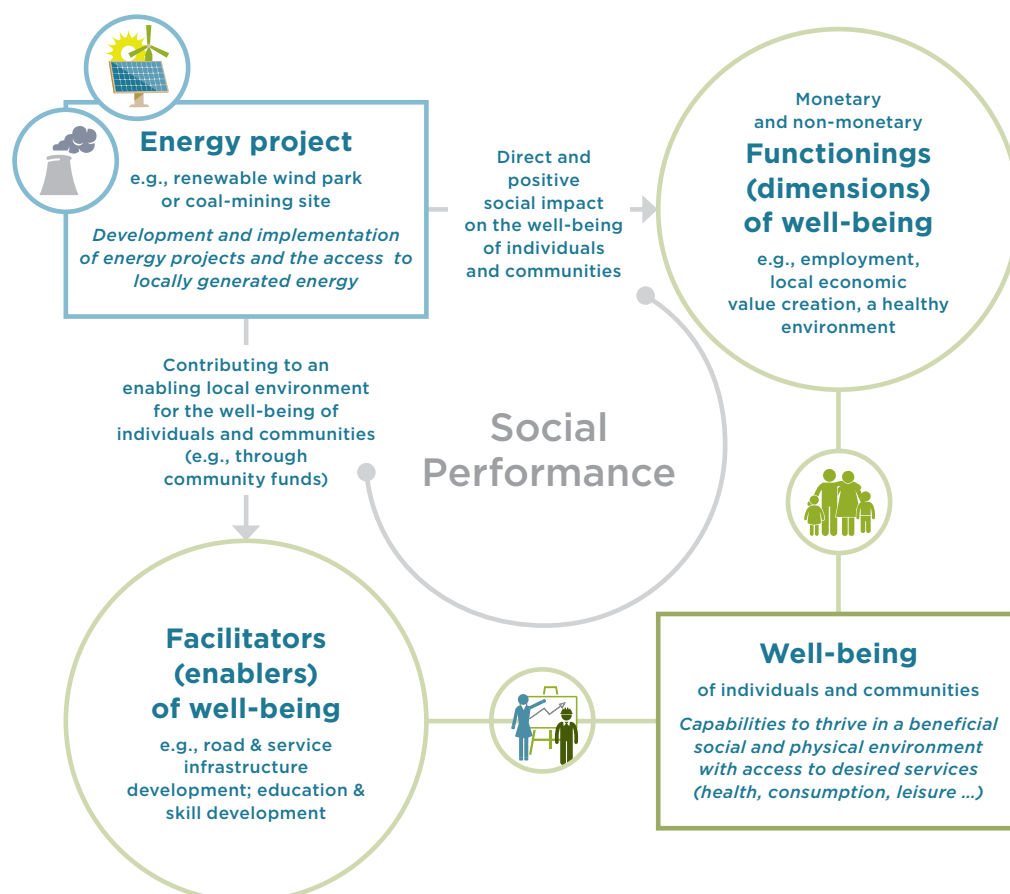
COBENEFITS facilitates international mutual learning and capacity building among policymakers, knowledge partners, and multipliers through a range of connected measures: country-specific co-benefits assessments, online and face-to-face trainings, and policy dialogue sessions on enabling policy options and overcoming barriers to unlock the identified co-benefits in the target countries.

COBENEFITS is part of the International Climate Initiative (IKI). The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) supports this initiative on the basis of a decision adopted by the German Bundestag. The project is coordinated by the Institute for Advanced Sustainability Studies (IASS, Lead) in partnership with the Renewables Academy (RENAC), Independent Institute for Environmental Issues (UfU), and International Energy Transition GmbH (IET).

Reports and infographics available on www.cobenefits.info

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