The Biden Administration’s pledge to achieve net-zero by 2050 and a carbon-free power sector by 2035 moves the share of global emissions in countries with net-zero pledges to 66%. However, few countries have policies, laws, and regulations in place that will allow them to achieve this goal and to succeed, Mexico and the U.S. will need to undertake accelerated legislative and regulatory activity to make net-zero a reality.

Such a move will require adapting their energy systems and economies to meet net-zero emissions. This change is made more feasible by moves by financial institutions globally, and particularly in Europe and the U.S., which have made ESG a guidepost for investment, driving capital away from oil and gas and underscoring the importance of clean energy technology. The rule of law and transparency are crucial to driving investment in hydrocarbons and energy transition, but the United States and Mexico may not agree on how the key legal commercial instrument between the two countries – the USMCA – incorporates the needed Mexican Energy Reform. The two countries need to reach an understanding on this issue, or it will drive away capital investment.

Likewise, technology is fundamental to success in reducing costs and emissions in the energy sector. The U.S. network of seventeen national labs is perhaps the world’s strongest network of energy research laboratories, and cooperation between the U.S. national labs and Mexican universities and the Mexican Institute of Petroleum have the potential to speed the rate of adoption of new technologies and processes and thus speed the migration to net-zero economies. Because the U.S. and Mexico have integrated supply chains for industry and highly integrated energy infrastructure, furthering the need to a coordinated move to a net-zero world built on lower emissions, including the large-scale adoption of electric and zero emissions transportation. But a move away from oil will create dislocation in both countries that create job loss, and the energy transition needs to be a just transition in both countries and not create or worsen economic hardship, especially on the most vulnerable.

**KEY TAKEAWAYS**

- Establish a Bilateral Task Force on Energy that will ensure quarterly engagement between energy ministers/secretaries and supporting institutions and that will engage the private sector to address fundamental issues such as the interpretation of the USMCA, mobilize financing support for trade and investment, and guide technical cooperation between U.S. national labs and Mexican institutions.

- Establish an industry task force on the future of automotives, focused on preserving and creating jobs, that will address increased electric vehicle demand and what that means for integrated U.S.-Mexico supply chains and labor forces, as well cost-effective production energy systems.

- Establish a task force on joint investments that can bring together energy innovation in the power sector with financing from institutions like the DFC, USAID, TDA, and EXIM, while leveraging investment innovation from the private sector.

- Create a forum for researchers and oil and gas companies to cooperate directly with each other and with major consuming industries on technologies ranging from digitalization to carbon capture and storage that will reduce costs and emission in producing oil and gas.

- Create a bilateral Task Force on a Just Energy Transition that identifies key areas for investment and lessons learned, including areas under stress due to transitional job losses, target areas for renewable development to address energy access, family support mechanisms for energy bills, and forests and agricultural lands that can absorb carbon or reduce emissions from deforestation with sales of the offsets addressing social welfare for the poor.