

February 2024



Top Highlights

President Andrés Manuel López Obrador on Feb. 5, 2024, introduced a package of constitutional reforms, encompassing 18 constitutional and two secondary law reforms in matters of water, energy, pensions, wages and judicial power, among others. These reforms, as articulated by the president, are aimed at reinforcing foundational principles such as humanism, justice, authority and democracy. The approval of the bills needs a qualified majority (two-thirds vote) in both chambers of Congress, a threshold currently beyond the reach of the National Regeneration Movement (Morena) and its allies. Notably, opposing parties, including the National Action Party (PAN), Institutional Revolutionary Party (PRI), Party of the Democratic Revolution (PRD) and the Citizens' Movement (MC), have aligned themselves in support of the pension reform and those deemed to "benefit the Mexican people." Nonetheless, they will not support the most "controversial" ones such as the bill that removes certain autonomous bodies or the political-electoral bill. In this sense, the House of Representatives announced that alongside these reforms, discussions will include pending bills in Congress, notably a constitutional reform addressing the reduction of the workweek – proposing that for every five days of work, employees should have at least two days of rest. Scheduled from Feb. 21 to April 15, the discussions will unfold in three parts: an initial dialogue in Congress, followed by five regional forums across the country and concluding with 32 additional regional forums.

The Supreme Court of Justice confirmed the injunction (*amparo*) against the reforms to the Electric Industry Law (LIE). The Second Chamber of the Supreme Court of Justice of the Nation voted in favor of a project that upholds a general-effect injunction against the implementation of the LIE reform. Following the approval of this project, members of Morena in the House of Representatives filed an impeachment request against Minister Alberto Pérez Dayán, who serves as the president of the Court's Second Chamber.

The Energy Regulatory Commission (CRE) issued an agreement to regulate the organized connection of charging infrastructure for electric and hybrid vehicles. The agreement, currently under review by the National Commission for Regulatory Improvement (CONAMER), focuses on expediting administrative provisions for electromobility. The aim is to seamlessly integrate electric vehicle charging infrastructure into the National Electric System (SEN), contributing to the development of an intelligent electric grid.

Bank of Mexico (Banxico) maintains interest rate. Banxico's Governing Board, in a unanimous decision, opted to keep the interest rate steady at 11.25 percent for the seventh consecutive time, concurrently revising inflation forecasts upward. The institution acknowledged the potential for future adjustments to the reference rate in the near term.

Historical surge in gross domestic product (GDP) driven by the construction sector. In 2023, the Mexican economy experienced a notable annual growth of 3.2 percent, with the construction industry leading the charge with a remarkable 15.6 percent increase, marking its most substantial upswing since 1996.



Congress Report

The Federal Labor Law (LFT) pertaining to the right to rest during the working day, commonly known as the "Chair Law," was approved by the full session of the Senate. The bill passed with 82 votes in favor. The legislation has been forwarded to the Committees on Labor and Social Security of the House of Representatives. Given the current electoral year and recent reforms in labor rights, it can be expected that the bill will be approved in the House.

The LFT reform regarding the right to an extended annual bonus advances. The bill presented by Sen. Napoleón Gómez Urrutia of the Morena political party, reforming Article 87 of the LFT and specifically addressing the right to an extended annual bonus, was approved by the Committee on Labor and Social Welfare of the Senate. The proposed amendment aims to enshrine the entitlement of workers to an annual bonus equivalent to 15 days' salary, with the stipulation that it must be disbursed no later than Dec. 20. The approved bill was turned over for analysis to the Committee of Legislative Studies of the Senate; it then has to be approved by the House.

Regulation of artificial intelligence (AI). Sen. Ricardo Monreal Ávila, Morena's coordinator in the Senate, presented a bill that aims to regulate the development, marketing and use of AI systems in Mexico. The legislative project also contemplates the creation of a National Artificial Intelligence Commission, a consultative body of the Federal Telecommunications Institute (IFT), which will be made up of five scientists of recognized prestige in the field of technological development and information technologies. Many legislators from different political parties have the interest to create a normative framework in Mexico for AI and cybersecurity.

Work meeting with Chief Officer for North America of the Mexican Secretariat of Foreign Affairs Roberto Velasco Álvarez and the Committee of Foreign Affairs. The Committee of Foreign Affairs of the Senate met Roberto Velasco to discuss the relationship between Mexico, the United States and Canada. He stated that the relationship between these countries has improved in recent years, due to the development of an institutional framework that has fostered trade agreements, investments and mobility. In the economic sector, Velasco noted that trade with the United States reached \$863 billion in 2022, which consolidated Mexico as its main trading partner, while bilateral trade reached \$38 billion with Canada.



Executive Branch

The Ministry of Finance agrees to give tax incentives to Petroleos Mexicanos (Pemex). The Ministry of Finance published an agreement in the *Official Gazette of the Federation (DOF)*, outlining tax incentives for the state-owned company, Pemex, with respect to assignees obligated to make monthly provisional payments per Article 42 of the Hydrocarbons Income Law. This incentive pertains to the shared profit outlined in Article 39 of the same legislation, covering October, November, December 2023 and January 2024. The incentive involves a tax credit equal to 100 percent of the shared profit amount for the mentioned months, which can be utilized to offset the corresponding monthly payments against the annual right for fiscal year (FY) 2023 and FY 2024, respectively.

The Ministry of Energy (SENER) appoints Víctor David Palacios as the new Hydrocarbons Undersecretary. Victor Palacios replaced the former Energy Secretary Miguel Ángel Maciel. Palacios has an extensive background at Pemex and sought to become a CRE commissioner three times (2020, twice in 2023).



Elections

Federal Campaign Period: March 1, 2024 – May 29, 2024.

Presidential Campaigns. On March 1, the presidential campaigns began. "Sigamos Haciendo Historia" Coalition Candidate Claudia Sheinbaum gave a message in Mexico City. "Strength and Heart for Mexico" Coalition Candidate Xóchitl Gálvez gave her message in the state of Zacatecas, and Citizens' Movement (MC) Candidate Jorge Álvarez Máynez gave a message in the state of Sonora.



- Sheinbaum (Morena-PT-PVEM) presented 15 points, which will be included in her Project of Nation if she wins the presidential election. Among the themes she presented were food and energy sovereignty, financial austerity and discipline, development of cultural rights, restoration of the environment and promotion of technological development.
- Gálvez, the candidate for the coalition "Strength and Heart for Mexico" (PRI-PAN-PRD), pointed out that her main proposals for the next administration focus on economy, health, security and social programs. She will focus on the care for water, energy infrastructure improvement, reduction of social inequality, strength on nearshoring and increasing the budget for the Federal Health Ministry, among others.
- Álvarez (MC) stated that he will address several issues regarding security and energy. Specifically, he will address insecurity without military presence, the use of renewable energy and fostering an economy with an environmental agenda, among others.

Presidential Polls. In February, the presidential polls revealed that Sheinbaum (Morena-PVEM-PT) held 65 percent of vote intentions, while Gálvez (PAN-PRI-PRD) held 32 percent of vote, and Álvarez (MC) had 3 percent of the vote.



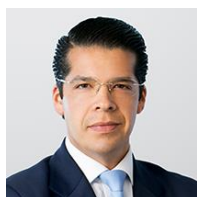
Opposition alliance:
PAN – PRI – PRD



Official alliance:
MORENA – PT – PVEM

- The coalition "Strength and Heart for Mexico," decided to contend together in alliance in 294 of the of 300 total districts in the country for the federal deputy elections of 2024.
- For the Senate of the Republic of Mexico, the coalition will go together in 30 federal entities, with 60 Senate formulas.
- The coalition "Sigamos Haciendo Historia" decided to contend together in 260 of the 300 total districts in the country for federal deputy elections of 2024.
- For the Senate of the Republic of Mexico, the coalition will go together in 20 federal entities for the first Senate formula and in the remaining 12 states – each political party will present its candidate.

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