


Chapter 2

Use of Renewable Energy–Related Financial Literacy in México: A Comprehensive Research Report

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ABSTRACT

This research report examines the relationship between financial literacy and the adoption of renewable energy in Mexico, analyzing the impact of financial knowledge on households' and businesses' decision-making towards investments in renewable energy. Through a comprehensive literature review and review of available data, this report reveals that while Mexico has tremendous potential for renewable energy, its low financial literacy levels are a significant barrier to the widespread application of clean energy technologies. The findings suggest that financial education initiatives targeting investments in renewable energy may be central to accelerating Mexico's evolution to sustainable energy.

INTRODUCTION

Mexico stands at a crossroads in its energy transition, with ambitious ambitions to achieve 35% of electricity from clean energy sources by 2024 and 45% by 2030 (Ember, 2024). The Energy Transition Law and General Climate Change Law include specific renewable energy targets that must be met, and recent governance under

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President Claudia Sheinbaum has reinforced commitments to backing renewables. However, despite Mexico's superior renewable energy potential, its technological capability to meet the country's power needs a hundred times over, adoption levels are far below both global and regional levels (Trade.gov, 2024).

The intersection of financial literacy and renewable energy adoption is a nascent but relevant aspect of Mexico's energy transition. Financial literacy, as the ability to understand and make good use of a variety of financial skills like personal finance management, budgeting, and investing, is an important factor in consumer decision-making for adopting renewable energy investments (Investopedia, 2024). The latest studies reveal that financial literacy plays an important role in residential renewable energy adoption, and higher financial literacy enhances adoption, especially among high-income households.

This report addresses the endemic knowledge void in the context of how financial literacy impinges on the adoption of renewable energy in Mexico. Whilst extensive literature has been reported on financial literacy and renewable energy policy in isolation, less work has been investigated on their intersection in the Mexican context. It is an extremely critical energy reality in Mexico that only 22% of electricity is currently being generated from renewable sources, which is lower than the world average of 32% and significantly lower than the Latin American average of 62%.

The following research questions underpin this study: How does financial literacy affect the use of renewable energy by Mexican households and businesses? What are the primary barriers to renewable energy-related financial literacy in Mexico? How can financial literacy programs be designed to enable Mexico to attain its renewable energy transition goals? What is the impact of government policy and financial institutions on renewable energy-related financial literacy?

This study's significance extends beyond academic interest to policy implications in the field. With the estimated USD 350 billion of capital investment needed by 2030 for Mexico's energy transition, it is imperative to understand and analyze financial literacy barriers to spur public and private investment in renewable energy technologies. This report provides an overall summary of the status of financial literacy related to renewable energy in Mexico and offers evidence-based recommendations for enhancing financial education to promote the development of the country's sustainable energy goals.

The research examines the status of renewable energy-related financial literacy in Mexico, finds key challenges and opportunities, and recommends how to enhance financial education programs to drive the country's energy transition goals. A few of the major suggestions include implementing specialized financial literacy courses, launching government-sponsored financing tools, and creating public-private partnerships to enhance consumer education regarding renewable energy finance tools.

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