


# Chapter 4


## Green and Renewable Energy–Related Financial Literacy in Mexico as a Competitive Advantage

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### ABSTRACT

*This research evaluates the role of green and renewable energy-fueled financial literacy as a competitive advantage for Mexico during the world transition in energy. Based on a comprehensive review of literature and consideration of current market conditions, this research identifies key intersections between financial literacy and renewable energy growth, including investment decisions, risk assessments, policy comprehension, and technology financing. The research shows that Mexico's renewable energy sector, boasting great natural strengths, is confronted by education and financial literacy problems, which could discourage maximum returns on investments and capital allocation. The research findings conclude that tailored financial liter-*

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*acy programs developed specifically for the investment of green energy can make Mexico more competitive, induce private investment, and drive the energy transition simultaneously creating economically sustainable gains.*

## **INTRODUCTION**

The energy world is transforming in its very essence, with renewable sources of energy as the foundation of energy policy across the world. Mexico, located geographically in North America and endowed with abundant natural resources waiting to be tapped into for renewable energy, stands at the crossroads of its energy transition. The country's commitment to achieve 35% of renewable energy-generated electricity by 2024, as outlined in the Energy Transition Law (Ley de Transición Energética), is a test and an economic necessity (U.S. Trade and Development Agency, 2024). However, the successful implementation of renewable energy projects and the realization of associated economic benefits are a function not solely of technological capability and natural resources but also the financial ability of key stakeholders involved in energy transition.

Financial literacy in renewable energy entails understanding the mechanisms of investments, protocols of risk appraisal, and channels of funding, regulatory regimes, and long-term economic impacts of investments in green energy. This sophisticated type of financial acumen becomes particularly critical in emerging economies like Mexico, where capital constraints, regulatory problems, and market volatilities play a deep impact on investment decisions and project success. This concept of competitive advantage in renewable energy transcends traditional dimensions of cost and efficiency to include the ability to appeal for investment, assist in cushioning financial risks, and optimize capital allocation among various green energy technologies.

Mexico's renewable sector has experienced phenomenal growth, with the share of renewables in the energy mix increasing from 12% in 2013 to 25% in 2023 (Climate Scorecard, 2024). This trajectory puts Mexico well in the Latin American market, where regional average is 62% of renewable electricity production. Despite these positive trends, Mexico faces tremendous challenges in achieving its full potential for renewable energy. The International Energy Agency estimates that the transition to clean energy entails unprecedented capital expenditures, which could reach over USD 350 billion by 2030 (EnergyTransition.org, 2024). Such staggering funding requirements underscore the need for financial literacy among investors, policymakers, and players in the industry who need to cope with complex financial instruments, evaluate investment options, and create viable financing structures.

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