## Preface

Rapid urbanisation, population growth and rising incomes are generating a range of pressures on Mexico's rich natural asset base, and compromising the environmental well-being of its citizens. In recent years the Mexican government has taken important steps to address these challenges. Environmental policies and institutions have been strengthened and investment in infrastructure has helped improve people's health by providing better access to water services. Mexico has also shown impressive leadership in international environmental co-operation, particularly climate change. Nevertheless, much remains to be done.

This Environmental Performance Review of Mexico comes at an important time. This report provides the incoming administration with an assessment of environmental progress over the last decade, an analysis of remaining challenges and a number of targeted recommendations. Two issues are examined in depth: climate change; and biodiversity and forests. Progress in strengthening environmental policies and institutions is also examined, as well as the steps taken to integrate economic and environmental policies in order to promote green growth.

Although the costs of environmental degradation and natural resource depletion fell from an estimated 10% of GDP in 2000 to 7% in 2010, the toll is still very high. As an emerging-market economy, Mexico has to confront difficult trade-offs in pursuing its economic, social and environmental goals. The report suggests that there is considerable scope for rebalancing the policy mix and promoting the transition to socially inclusive green growth in a more effective, efficient and equitable manner. Its main recommendations include:

- Gradually reduce subsidies to energy use, agriculture and fisheries that harm the environment, and replace them with targeted cash transfers to low-income households and small farmers.
- Introduce an excise tax on transport fuels and energy products that reflects the environmental costs associated with their use, while providing targeted cash transfers to those adversely affected.
- Further develop sustainable urban transport systems by scaling up investment in low-carbon mass transit and strengthening capacity for the development of integrated transport and urban planning policies.
- Take the necessary measures to implement the recently adopted General Law on Climate Change, and put in place a system to adjust the measures needed to achieve its targets on the basis of systematic, regular and independent assessments of progress.
- Strengthen analysis of the economic and social aspect of biodiversity to support implementation of more efficient and effective policies.
- Strengthen the capacity to absorb and adapt cleaner technology, particularly in small and medium-sized enterprises, as part of a broader effort to strengthen innovation capacity.

The third Environmental Performance Review of Mexico is the result of a rich and co-operative policy dialogue between the Mexican authorities and other members and observers of

the OECD Working Party on Environmental Performance. We are confident that this collaborative effort will be useful to advance the policy debate on how to tackle the shared environmental challenges faced by OECD members and their partners.

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