

PRESENTATION OF THE NATIONAL WATER PLAN

NOVEMBER 2024

Executive Summary:

- On November 21, 2024, the President of Mexico, Claudia Sheinbaum, along with the heads of the Ministry of the Environment and Natural Resources ("SEMARNAT"), the National Water Commission ("CONAGUA"), and other authorities, presented the National Water Plan ("PNH").
- The PNH proposes a new model for the regulation of water use in Mexico and reinforces the authorities' efforts to prevent the contamination of water sources.

In the following, we will present the points of the PNH that could have a direct impact on water use for the industrial and service sector:

ORDER CONCESSION TITLES TO EXPLOIT WATER

The PNH intends to reconsider the current concession established in the National Water Law ("LAN") arguing that this system allows speculation and water grabbing since this system allows the transfer of concessioned water volumes so that another person can use them, regardless of the fact that said volume is destined to a different activity (for example, an agricultural concessionaire transfers his water volume to an industry, once said process is completed, the water would no longer have an agricultural use but an industrial use).

This proposal is based on the fact that it was a period of 10 years in which more than 360 thousand concessions were granted in the country. This data does not consider that the concessions were the instrument to regulate and control the exploitation of water, since previously the water in Mexico was

exploited under the modality of "free flow" which consisted of using the water without any control by the CONAGUA.

In our opinion, if this provision is implemented, it could increase the difficulty for the industrial sector to obtain concessions, an unfair punishment, since the PNH itself recognizes that in Mexico 76% of water use is destined for agricultural activities, 15% for urban public use and only 9% for the industrial sector.

SANITATION OF RIVERS, MAINLY THE LERMA-SANTIAGO PACIFICO RIVER, ATOYAC RIVER, AND TULA RIVER

Certainly, the protection of these rivers represents a great advance in the human right of a healthy environment and the human right to health in general. However, this means that CONAGUA will be shutting down polluting companies and imposing sanctions including significant fines.

Although these three rivers will be the most relevant for the PNH, the reality is that there will be reinforced

actions throughout the country to prevent water contamination.

CREATION OF THE INSPECTION PROGRAM

As mentioned above, CONAGUA plans to reinforce its inspection and sanctioning activities, not only in the wastewater sector, but also in water exploitation.

It should be noted that CONAGUA has administrative powers, including environmental and fiscal powers, and therefore, in addition to the aforementioned fines and closures, the collection of water use fees will be stricter.

NEW LEGAL FRAMEWORK

It is planned to reform the current LAN, and at the same time issue the new General Law of National Waters. It should be noted that last November 12, an initiative containing the new water law was presented, where there is a high probability that this will be the new law.

CREATE THE NATIONAL REGISTRY OF WATER FOR WELFARE

Which consists of updating the Public Registry of Water Rights, in order to simplify and update water information.

ISSUE A DECLARATION OF ADMINISTRATIVE FACILITIES SO THAT EXPIRED CONCESSIONS CAN BE RENEWED

as long as the aquifer allows this exploitation.

SIMPLIFY AND DIGITALIZE ALL PROCEDURES

For this, CONAGUA intends to invest in its system and create an electronic file for each concession. Therefore, the procedures before CONAGUA will be reduced from 27 to 19, the requirements will be reduced from 19 to 9 and the response time will be changed from 15 to 60 days maximum. If this idea is approved, it would certainly make water procedures much faster and more agile.

NATIONAL AGREEMENT FOR THE HUMAN RIGHT TO WATER AND SUSTAINABILITY

This is a plan in which the government will invest in water infrastructure, together with the private sector. In addition, it is proposed that the private sector voluntarily give up 2,500 million m3 of concessioned water.

Although some proposals are favorable, such as the initiatives to clean up rivers or the digitalization of procedures, the reality is that, if this plan is implemented, companies could see their current rights compromised, or they would have difficulties when exploiting new volumes of water. That is why we propose the following:

- **Administrative compliance with water concessions and discharge permits:** It appears that the government intends to reduce the number of concessions in the country; therefore, any failure to comply with the terms and conditions of these titles will be a cause for their revocation. Therefore, we recommend reviewing strict compliance to avoid having a reason for revocation.
- **Tax compliance:** It is recommended to verify that the payment of water rights, especially for water use, is up to date.
- **Start with the transfer of water rights:** in case an increase in water consumption is required in the near future, it is recommended to start with the transfer process under the current LAN.
- **Speed up the procedures that are currently before CONAGUA:** in order to ensure that they are resolved under the current LAN.
- **Search for compensation measures for water catchment:** This practice is known as water balancing, and consists of generating works that allow water catchment in the same volume that is intended to be extracted. This type of actions can help the authorities to be more favorable at the time of authorizing transfers, extensions or other procedures.

The PNH should not be seen as a loss of current water rights, or as an obstacle to investments in the country; the PNH intends to make a more sustainable and regulated use of water. Although it could have points for improvement and may be based on some prejudices towards the industrial sector, we must understand it and apply it in the best way, in order to guarantee a continuous water supply in the industrial sector, as well as the possibility of discharging wastewater.

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