

Mexican president says Tesla to build plant in Mexico

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Mexican President Andres Manuel Lopez Obrador gives his regularly scheduled morning press conference at the National Palace in Mexico City, Tuesday, Feb. 28, 2023. Credit: AP Photo/Marco Ugarte

Mexico's president announced Tuesday that electric car company Tesla

has committed to building a major plant in the industrial hub of Monterrey in northern Mexico.

President Andrés Manuel López Obrador said the promise came in phone calls he had Friday and Monday with Tesla head Elon Musk. It would be Tesla's third plant outside the U.S., after one in Shanghai and one near Berlin.

López Obrador had previously ruled out such a plant in the arid northern state of Nuevo Leon where Monterrey is the capital, because he didn't want water-hungry factories in a region that suffers water shortages. But he said Musk's company had offered commitments to address those concerns, including using recycled water.

"There is one commitment that all the water used in the manufacture of electric automobiles will be recycled water," López Obrador said.

The president said it would be a large investment without giving a dollar amount, and did not specify what the plant would produce. He said it was unclear if it would produce batteries, an industry Mexico desperately wants despite not having any current domestic supply of lithium.

López Obrador said the company planned to release more details on Wednesday.

"This is going to mean a considerable investment and many, many jobs," López Obrador said. "My understanding is that it will be very big."

Monterrey is highly industrialized and close to the U.S. border, and had long been considered the frontrunner for any Tesla investment.

But the city suffered water shortages in 2022 that were so severe that many homes went weeks with intermittent or no water supply. The

government is building a 60-mile (100 kilometer) pipeline to bring more water in from a dam.

López Obrador had previously said his government "simply won't grant permits" for any new plants there. But apparently Musk's proposal overrode the president's stance.



A sign bearing the Tesla company logo is displayed outside a Tesla store in Cherry Creek Mall in Denver, Colorado, Feb. 9, 2019. Credit: AP Photo/David Zalubowski, File

Gabriela Siller, chief economist at Nuevo Leon-based Banco Base, said the Tesla investment—which she estimated could be worth \$10

billion—represented such a large amount that it trumped any of the president's objections.

López Obrador "could not turn this down. It would have had a very big political cost for him," said Siller.

The announcement was a disappointment for more water-rich southern states that had begun jockeying for the Tesla plant after López Obrador's comments last week.

The governor of Nuevo Leon state, where billboards went up last year saying "Welcome Tesla," crowed about Tuesday's announcement.

"Mexico won, Nuevo Leon (NL) won, WE ALL WIN!" Gov. Samuel García wrote in his Twitter account.

López Obrador said Mexico wouldn't match any U.S. subsidies to win the Tesla plant, referring to U.S. incentives under the 2022 Inflation Reduction Act.

"A subsidy like that, we cannot give subsidies like that," the president said, adding "Mr. Musk was very attentive, respectful" of Mexico's position.

Tesla is expected to announce plans for its "Gen 3" vehicle platform on Wednesday at its annual investor day at a factory near Austin, Texas.

Musk previously has floated the idea of building a \$25,000 electric vehicle, which would cost about \$20,000 less than the current Model 3, now Tesla's least-expensive car. Many automakers build lower-cost models in Mexico to save on labor costs and protect profit margins.

Musk also is expected to show off the company's production line at the

Austin plant, as well as discuss long-term expansion plans, how it will spend capital investment dollars, and other subjects.

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