



OUR EDITORIAL MOTTO IS “The diversity of ideas finds oil.” Applied to energy policy, the motto would read “The diversity of perspectives leads to sustainable policies.” On this account, we give extra attention to proposals and perspectives that challenge current thinking in industry and government.

The perspective of the energy policy of the political party that is known by its acronym MORENA (and the leader of which is three-time presidential candidate Andrés Manuel López Obrador), certainly qualifies as one that that is distinct from, and counter to, that of the current PRI administration.

We examined a 7-page document issued on November 15, 2017, entitled *Propuesta Programa del Petróleo* (Oil Program Proposal). The proposal offers a diagnosis of the present situation and a 10-point program of policy actions. Many of the proposals are recycled ones from previous presidential campaigns, such as increasing domestic oil and gas production, accelerating the transition to renewable energy, increasing refinery and petrochemical capacity, technology and human resources while reducing imports.

The current energy program has some new elements, such as in Strategic Policy Area 10:

- Reconsider Mexico’s membership in the International Energy Agency (IEA), which is characterized as a body designed to protect the interests of industrialized nations at the expense of oil producers.
- Explore the possibility of better coordination with OPEC.
- Regarding a possible transboundary reservoir, establish as a policy that Pemex will be the operator on the Mexican side.
- Remove from the oil operators the possibility of establishing regions that are removed from the sovereignty and control of the Mexican State.

Oil companies with contracts with the National Hydrocarbon Commission (CNH) will view with concern the bullet points in Strategic Area 2, where the processes of the awarding of oil blocks and their legality would be reviewed. Further, Pemex alliances (farmouts) would be suspended until the terms of reference (*esquema*) were modified (but in which respect the summary program does not say).

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For this report, we translated into English just the table of contents of the program (and append the text in Spanish). We also offer observations on selected points (and omissions) in the proposed program.

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OIL POLICY AGENDA OF LOPEZ OBRADOR’S MORENA PARTY 2018-2024

INTRODUCTION

IN THE EXECUTIVE SUMMARY of the oil policy proposal of MORENA (a term, by the way, that is not mentioned in the text), the purpose of the proposals is to put forth a program to “rescue the Mexican energy sector in order that it again serve as an important lever of development for Mexico.”

What is understood by “rescue” turns out to be proposals for reducing Mexico’s “energy dependence” by increasing domestic activities in oil and gas production, refining and petrochemicals, thereby allowing a reduction of the imports of gasoline and natural gas.

In the section entitled “Diagnosis and the Present Situation,” the authors list a litany of statistics of falling output, reserves and commercial balances, coupled with an increase during the present administration in the importation of natural gas (77.5%), gasoline (38.6%) and diesel (40.6%). Mexico depends on imports for 55% of its gasoline and diesel, 58% of its natural gas and 23% of its LPG.

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- 2) Intelligently manage the declining oil resources of the country, 3
- 3) Accelerate the transition towards renewable sources of energy, 3
- 4) Rationalize energy consumption, 3
- 5) Increase efficiency and safety in the oil and natural gas supply chain, 4
- 6) Upgrade the role of Pemex in the development of the energy sector, 4
- 7) Improve transparency and accountability in activities, companies and regulators, 4
- 8) Democratize energy policy, respect the decisions of the communities and promote the strengthening of independent trade unionism, 5
- 9) Promote research, technological development and training of human resources in the sector, 5
- 10) Revisit the arrangements and instruments of geopolitics and national security in the oil sector,5

DISCUSSION

THE LIST OF THE TEN ACTION ITEMS (see insert) identifies the areas where policies would be developed were the party to gain the presidency in the elections of July 2018.

The first Strategic Action Area (hereinafter, Section) concerns Mexico’s energy dependence. The first line of policy action is to deregulate the gasoline market until true market conditions exist (a goal that Mexico’s midstream regulator, the Energy Regulatory Commission (CRE) has already prioritized). The program calls for making “the necessary investments in Pemex,” a goal which, without further specification, the current government and Pemex already support. The program calls for restarting the Tula refinery upgrade and the construction of a similar refinery on the Gulf Coast of Mexico.

MORENA PARTY
POLICY PROPOSAL FOR THE OIL AND GAS SECTOR, 2018-24
November 15, 2017

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 - 7) Improve transparency and accountability in activities, companies and regulators, 4
 - 8) Democratize energy policy, respect the decisions of the communities and promote the strengthening of independent trade unionism, 5
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Propuesta Programa del Petróleo

Proyecto

El Proyecto de Nación 2018- 2024, en materia de energía, tiene como objetivo el rescate del sector energético a través de impulsar la producción nacional de energía, la generación de alternativas de energía renovables, el fortalecimiento financiero y operativo de PEMEX y CFE, con la finalidad de reducir la dependencia energética del exterior, para que el sector energético se convierta en una de las palancas de desarrollo de México.

Resumen Ejecutivo

Las propuestas en materia de energía del Proyecto de Nación 2018-2024 se basan en el rescate del sector energético mexicano, para que se convierta nuevamente en una palanca importante del desarrollo de México. Una de las prioridades importantes del Proyecto de Nación es disminuir la dependencia energética, como un asunto de seguridad nacional, aumentando la capacidad de producción de PEMEX, junto con la producción que deben realizar las empresas privadas nacionales y extranjeras, que han participado en el sector de hidrocarburos en el marco de la reforma energética.

También se pretende incrementar la capacidad de refinación, a través de la reconversión de las refinerías existentes, la construcción de dos refinerías y el impulso a refinerías de biodiesel, para reducir las importaciones de gasolina y de gas y aportar insumos a nivel nacional. Asimismo, se busca mejorar la manera como se manejan los recursos energéticos del país; acelerar el cambio tecnológico para la adopción de energías renovables; trabajar en políticas públicas para reducir el consumo de energía; buscar una mejor integración vertical para hacer más eficiente y segura la cadena de suministros en petróleo y gas; revertir el deterioro financiero y operativo al que ha sido objeto Petróleos Mexicanos (PEMEX) en las últimas administraciones federales; poner reglas claras y de rendición de cuentas de los reguladores sectoriales; impulsar la investigación y desarrollo, a la par de la formación de recursos humanos en el sector energético.

Diagnóstico y situación actual

Durante la actual administración federal los indicadores operativos y productivos de PEMEX se han deteriorado significativamente, lo que se refleja en los siguientes indicadores:

- La producción de petróleo crudo y gas natural han caído 15.5% y 9.3% respectivamente;
- Se ha reducido significativamente la disponibilidad de petróleo y gas natural, pues en sólo cuatro años se han dejado de producir 455 mil barriles diarios de aceite y 593 millones de pies cúbicos diarios de gas.
- La exportación de petróleo se ha reducido -4.9 %;
- Las reservas de hidrocarburos en su tres niveles han registrado las siguientes caídas: 1P (-26.1%), 2P (-32.0%) y 3P (-41.3%);
- La duración de las reservas, la cual pasó de 12 a 10 años para petróleo, y de 5 a 4 años para gas.



Report titles related to the future of Pemex

Year	Topic	File #	Pages	Chart
2017				
May 24, 17	Why Mexico needs a 2nd national oil company	10046	19	2
<p>At a Mexico panel at the Offshore Technology Conference (OTC) on May 4, speakers worried that the pace of exploration in deep-water areas is too slow to build the needed "E&P Village." During the Q&A, the status of Pemex as a government agency was raised as a problematic issue, as Mexico had not followed the route of other countries like Norway in creating a mixed-equity national oil company (NOC). This report identifies the benefits to be obtained from a market-based NOC and lists the legal and practical steps needed to create a Pemex-B that would be focused on finding partners for offshore exploration blocks.</p>				
<hr/>				
2003				
Apr 07, 03	Pemex, S.A.	636	10	1
<p>This report provides an overview of a legislative proposal presented by two PRI congressmen in mid-December 2002 to reorganize Pemex into a "public interest corporation" where 10% of the stock would be open to Mexican investors and retirement fund managers. The proposal has far-reaching implications, as its goals would require new measures of transparency and accountability. The outline and text of the bill, with English headings, is appended.</p>				

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HOW WE ADD VALUE

For stakeholders and analysts in Mexico's energy sector

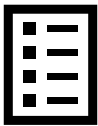


INSTITUTIONAL REPORTS for managers, regulators and policymakers on the alignments and misalignments in Mexico in relation to global practices and expectations

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- ✓ Some reports are futuristic white papers, posted online, that address pending issues of public policy



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