

PUBLIC POLICY PERSPECTIVES are issued periodically, in English or in Spanish, as a public service with the aim of inviting fresh discussion of matters of politics, law, policy, regulation and corporate governance.

Inquietudes relacionadas con el mercado de combustibles en México

EL MANTRA DE LA REFORMA ENERGÉTICA en la narrativa populista de 2013-14 fue “bajar precios.” Según nuestro análisis (ver lista de reportes), con la desregulación de precios de las gasolineras, el precio de la Premium (de 93 octano) va a subir en 25%. También, en las vecindades de casas doradas, como Lomas de Chapultepec, por donde hay pocas gasolineras, todos los precios van a subir. Este patrón también pasará en las colonias de edificios ultra-modernos, como Santa Fe.

Así que, las únicas cosas que van a bajar son los subsidios otorgados por una metodología de costos logísticos que ignora del principio del mercado libre.

Este escenario puede presentarse con Pemex como el único proveedor de combustible mayorista. Con relación a los volúmenes importados, todos pueden ser administrados por PMI Comercio Internacional, el filial comercial de Pemex.

En este reporte, se presta atención a los impedimentos que habría de quitarse para que hubiera una diversidad de fuentes del producto, no sólo el duopolio de Pemex-PMI. Pretendemos identificar las principales “piedras en el camino” que obstaculizan el desarrollo del mercado de combustibles en México.

Contents	
SUMMARY IN ENGLISH	2
TEMAS DELICADOS	3
Escasez de clientes calificados.....	3
Preparación inadecuada para el comercio internacional	3
Escasez de almacenamiento.....	3
Seguridad.....	4
IEPS.....	4
El régimen de precios máximos.....	4
Falta de ingeniería financiera para nueva estructura	5
EL FUTURO	5
CONCLUSIONES	6

MEXICO ENERGY INTELLIGENCE® (MEI) is a commercial and policy advisory service offered by BAKER & ASSOCIATES, ENERGY CONSULTANTS, a management consultancy based in Houston. MEI reports facilitate two-way communication between Mexican public and private institutions and the global environment. Our reports examine policy, institutional and cultural issues as they affect the operating environment, energy regulation, and government and private investment in Mexico’s energy sector. Reports are distributed principally on a subscription basis.

INQUIETUDES RELACIONADAS CON EL MERCADO DE COMBUSTIBLES EN MÉXICO

Summary in English

WITH THE DEREGULATION OF PRICES OF MOTOR FUELS IN MEXICO, the 11% differential between regular- and premium-grade gasoline will increase. In high-rent neighborhoods, such as Lomas de Chapultepec and Santa Fe in Mexico City, the prices of all fuels at retail stations will rise to the level at which the motorist pays the marginal cost of convenience and the underlying, higher cost of the real estate. What will decrease will be the blind subsidies that are currently generated by a methodology that considers only logistical costs and that ignores market principles.

This evolution in the pricing of motor fuel may take place under the existing arrangements by which Pemex and its international marketing affiliate, PMI, serve as the sole wholesale suppliers. For there to be a diversity of independent suppliers (that is, independent of Pemex/PMI), there are a series of issues that would need to be resolved. In this report, we list eight:

- 1) For the exporter, there is the fundamental problem of the scarcity of qualified customers with the necessary credit rating to support a long-term commitment. For the developer of facilities for transportation and storage, there is a lack of customers who could serve as the anchor customer for project financing.
- 2) Inside the distribution companies, for having been dependent on Pemex for product, there is an understandable unfamiliarity with the mechanics of international transactions.
- 3) There is a lack of storage facilities. The program of leasing storage by Pemex Logística is a good start, but there is not the availability of capacity at the level needed to support a viable export business.
- 4) Product theft and the safety of personnel are continuing issues.
- 5) IEPS is an ad hoc tax on motor fuels that can unexpectedly affect the economics of any international transaction.
- 6) The regime of maximum prices causes distortions, as prices consider only logistic costs and not market conditions.
- 7) Lack of alternative financing for infrastructure projects except with sovereign guarantee via Pemex or PMI.
- 8) Hair-trigger energy populism. The “*gasolinazo*” of January 2017 showed that the public is extremely sensitive to increases in fuel prices, and future price increases by private companies could cause a backlash.



Reports on Mexico's motor fuel markets

Table 1
Comparing the prices of gasoline grades in Mexico and U.S.
U.S. gas cheaper with bigger spread between grades

		MEX avg. of max. price (March 3)	Houston price (March 30)*	
		Mex\$/l		% var
Octane	87	\$16.01	\$10.68	-33.3%
	93	\$17.79	\$13.84	-22.2%
	% var	11.1%	29.6%	
<i>Data:</i>				
	<i>x-rate</i>	\$18.72	\$2.16	<i>87 Octane</i>
	<i>liter/gal</i>	3.7854	\$2.80	<i>91 Octane</i>
*Shell station near Katy Fry & Campbell Rd.				
Data: MEI 842				

Year	Topic	File #	Pages	Chart
------	-------	--------	-------	-------

2017

Mar 31, 17	Comparing the price spread of Mexico's gasoline grades	843	2	1
<p>This report compares the national average of maximum prices in Mexico for regular and high-test gasoline with the prices of comparable gasoline grades in the U.S. Table 1 shows that prices in the U.S. are lower and there is a much bigger spread between regular and premium gasoline. One conclusion is that the price of high-test gasoline in Mexico is being subsidized. A second conclusion is that in areas where price deregulation takes place, the price of Pemex's premium-grade gasoline is likely to increase by at least 25%.</p>				
Mar 27, 17	Motor Fuel Pricing in Mexico	842	13	9
<p>This report provides a statistical examination on the motor fuel price series that is published by the Energy Regulatory Commission (CRE) as a transitional regime that would eventually be phased out with the deregulation of prices, starting with Baja California and Sonora. We note that there is popular and political resistance to the government's fuel pricing program. Of greater concern is the lack of preparation for a competitive market. At present, Pemex is the only supplier of motor fuel in Mexico. The deregulation of motor fuel prices in Baja California and Sonora will provide a test of the feasibility of successive price deregulation for gasoline and diesel.</p>				

MEXICO ENERGY INTELLIGENCE® (MEI) is a commercial and policy research and advisory service offered by BAKER & ASSOCIATES, ENERGY CONSULTANTS, a management consultancy based in Houston. MEI reports facilitate two-way communication between Mexican public and private institutions and the global environment. Our reports examine policy, institutional and cultural issues as they affect the operating environment, energy regulation, and government and private investment in Mexico's energy sector. Reports are distributed principally on a subscription basis. Energia.com contains reports, title lists, calendar postings and interviews with stakeholders and observers that are made available as a public service.



Reports on Mexico's motor fuel markets

Year	Topic	File #	Pages	Chart
Feb 28, 17	Bilingual Glossary of Fuel Quality Standards in Mexico <p>In anticipation of investor interest in Mexico as an export market for gasoline, diesel and jet fuel, and in the market segments of storage and transportation, on August 29, 2016, CRE issued regulations for compliance with fuel quality standards (NOM-016-CRE-2016). This glossary provides translations in English of the terms and definitions associated with the standards and the compliance framework. Tables 1, 3 and 4 sort terms in their alphabetical order in Spanish, while Table 2 sorts terms according to their English translation.</p>	836	22	4
Jan 16, 17	Gasolinazo 2017 <p>This report examines the popular backlash against the government's price increases for motor fuel that went into effect January 1, 2017. The government invoked two independent arguments: 1) gasoline prices should be in alignment with international indexes and 2) not increasing gasoline prices would put Mexico's economic stability at risk. Leaders of opposition parties rejected the first argument and blamed any lack of government revenue on incompetent economic management. Absent a full disclosure of the government's financial picture, the wisdom and timeliness of the prices increases cannot be determined. Officials chose to ignore the geopolitical moment of the imminent installation of a U.S. administration whose policies may be hostile to Mexico.</p>	834	18	2
<hr/>				
2015				
Mar 25, 15	Turmoil in Mexico's Gasoline Market: Lawlessness Jeopardizes Downstream Deregulation <p>The turmoil in Mexico's gasoline market puts in jeopardy the calendar of the government's strategy to deregulate the gasoline market in 2018. In this report, we try to squeeze insights out of institutional data from Pemex about the incidents of product theft, and we examined press and other reports to see how specific industries were being affected by the activities of a given drug cartel. The situation in Nigeria should be a warning to government authorities that the lack of asset and product security onshore could lead oil companies to restricting their principal investments offshore.</p>	777	11	7
<hr/>				
2000				
Jun 08, 00	Mexican gasoline price trends and issues, 1997-99. <p>Analysis of recent trends in gasoline prices in Mexico, noting movements relative to producer price index.</p>	424	12	5



BAKER & ASSOCIATES, ENERGY CONSULTANTS

*Management consulting
Industry, policy and regulatory reports*

A management briefing is available on the topics covered in this report.

(832) 434-3928 (text/cell)

Mailing Address:

Box 271506

Houston TX 77277-1506

*To learn about our reporting,
consult the title lists, by year or category, on
<http://www.energia.com>, or write to us at*

info@energia.com