

PLANS AND OPTIONS FOR ENERGY REFORM IN MEXICO, 2012-18

Reports and documentation related to the plans and options for energy reform of the Peña Nieto administration

File #	Published	Updated	Topic	Pages	Table/ graph
100154	• Jan 10, 13		The Logic and Options for Energy Reform in Mexico As candidate in 2012 and as president in 2012, Enrique Peña Nieto has indicated that he will seek an energy reform. What ideas for energy reform have circulated in Mexico during prior administrations? Tables 1-4 of this report offer a 16-page catalog of those ideas. Table 1 lists ideas already put into practice; Table 2 are ideas that were not implemented; Table 3 are ideas from civil society, and Table 4 are ideas that have been voiced in public and private venues by the global oil and power industries. The report argues that Pemex and CFE should be prepared for roles as operators outside of Mexico. One conclusion is that if a reform only makes Pemex more efficient in Mexico, it is not worth the effort.	9	17
100150	• Dec 05, 12		A Policy Agenda for Mexico: The Energy Component On Day Two of the new administration, President Enrique Peña Nieto announced a broad, 95-point policy agenda for his term, one that had received support from the three major political parties. The agenda covers diverse current issues facing the government, the economy and society. The document makes repeated reference to a future "energy reform," but only items related to the oil sector are listed. This report reviews and assesses, one by one, the policy objectives that are associated with the energy sector.	4	3

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A Policy Agenda for Mexico: The Energy Component

A jump-start on political consensus, with a call for an energy reform

THE 95 POLICY COMMITMENTS OF President Enrique Peña Nieto represent a serious attempt to forge a consensus on national policy at the outset of his administration (Exhibit A). The objectives are grouped in five broad headings

- ✓ Law and Liberties (36)
- ✓ Economic Growth, Employment and Competition (37)
- ✓ Public Security, the Penal Codes and the Court System (6)
- ✓ Transparency, Accountability and Anti-Corruption (4)
- ✓ Democratic Governance (8)

The first section covers health, pensions, education (including digital education), culture, and human rights (including the rights of Mexican emigrants abroad). Attention is given to the plight of Mexico’s indigenous peoples, noting that where 7 of 100 Mexicans speak a language other than Spanish, of these, 8 of 10 live in poverty, and half in extreme poverty.

The second section deals with the economy, giving welcome emphasis to the need to encourage competition in the telecommunications sector. In this section there are policy objectives concerning Pemex, the Hydrocarbon Commission (CNH) and the Competition Commission (CFC), but no reference to the Energy Regulatory Commission (CRE), the Energy Ministry (SENER) or the Federal Power Utility (CFE). Competition for the energy sector is hinted at, but without specifics (Table 1)

There are innovative ideas in the third, fourth and fifth sections, such as the penultimate one: reconsideration of a proposal to allow for the reelection of lawmakers (No. 94). The final section seeks to correct many of the abuses in the electoral processes and in the behavior of the political parties.

The present report gives attention to those policy objectives that touch on the oil sector.

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The Logic and Options for Energy Reform in Mexico

US Sen. Richard Lugar also urges energy reform

PRESIDENT ENRIQUE PEÑA NIETO is not the only elected public figure who openly expresses a desire for energy reform in Mexico. In a report released on December 21, Republican Sen. Richard Lugar, the ranking member of a subcommittee of the Senate Foreign Relations Committee, urges the Obama administration to strengthen ties “in specific areas of shale gas, safety enhancement, transparency, and security that represent near-term opportunities for bilateral gain.” He also urges submission of the Transboundary Hydrocarbon Agreement (TBA) to Congress for approval and implementation.

Days before his meeting in Washington with President Barack Obama, President-elect Enrique Peña Nieto wrote in the *Washington Post* that he planned to “open Mexico’s energy sector to national and foreign private investment,” adding that his administration would “welcome new technologies, new partnerships and new investments.” Such developments would “contribute to guaranteeing North American energy independence.”



That Sen. Lugar would express his views in public goes against the advice given by Amb. David Davidow, formerly US ambassador to Mexico. Speaking on a panel at CSIS on January 9th, he advised that “the governments of the US and Mexico should shut up about the reform processes going on in the other country.”

The panelists used the term “energy reform” as a catch-all for dozens of ideas, proposals and options that have been voiced for more than two decades. This report offers criteria for evaluating specific proposals.

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Reports related to MEI 100154

MEI #	Published	Updated	Topic	Table/ Pages	graph
112712	Nov 27, 12		<p>Doce años después: SENER</p> <p>An invited essay by George Baker on the performance and outlook of Mexico's Energy Ministry (SENER), written in Spanish for LETRAS LIBRES. The article first praises the performance of officials of the ministry, then criticizes them for their intellectual passivity, especially in relation to the absence of market-generated price signals. The essay offers ideas for the next energy minister, including a gradual shift in the national energy narrative. http://www.letraslibres.com/blogs/serial/doce-anos-despues-sener?page=full</p>	2	1
100149	Nov 30, 12		<p>What Should the Energy Ministry Tell the Next Government?</p> <p>This report proposes that within the limited authority and mandate of the Energy Ministry (SENER), experiments could be undertaken on a small scale with the aim of 1) educating the Mexican government at all three levels about the policies and state companies in the energy sector and 2) carrying out a series of experiments in energy policy in order to learn the effect on investor behavior and consumer response.</p>	12	3
100142	Sep 21, 12	Sep 24, 12	<p>What the PRI Must Learn About Energy</p> <p>The basic framework of a closed, Soviet-era economy did not change under PAN rule; but there have been innovations: LNG, a cross-border hydrocarbon agreement, deepwater exploration, MSC, renewable energy technologies and one new regulatory institution, the National Hydrocarbons Commission. Table 1 provides a rough guide to the topics and issues in the energy sector that the new office-holders and presidential appointees in Pemex and CFE will have to manage.</p>	8	4
100124	Sep 23, 12		<p>US-Mexico Transboundary Hydrocarbon Agreement (Part II)</p> <p>At the meeting of the Mexican Senate Energy Committee on March 27, 2012, substantial objections were presented against approval of the US-Mexico transboundary hydrocarbon agreement that had been signed just the month before on February 20th in Cabo San Lucas. This report highlights some of these objections, and identifies challenges not considered in the Senate meeting.</p>	8	5

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MEI #	Published	Updated	Topic	Table/ Pages	graph
100121	• Mar 19, 12		US-Mexico Transboundary Hydrocarbon Agreement: A New Face for Pemex's Incentive Contract? Until 2012, neither Mexico or the U.S. had signed a cross-border agreement related to petroleum. Lease auctions of blocks continuous with Mexico on the U.S. side received no bids. The agreement provides a scaffolding of public oversight for the unitization of cross-border fields and for the eventual formation of a joint operating agreement between "licensees" on both sides. At this stage, the agreement is limited to sharing information, not risk.	9	0
705	• Dec 08, 05	Dec 15, 05	Proposals to restructure Pemex, 2000-05 This report examines the background to new proposal in the Mexican Congress to restructure Pemex in a way that eliminates the four operating units and that does away with international benchmarks for transfer prices. The highlights of the November 2005 bill in the Lower House to reorganize Pemex are discussed and possible advantages and disadvantages of the proposed reorganization are itemized.	10	2
478	• Feb 12, 01		Recentralization of Pemex governance A report of Pemex plans for reorganization, with emphasis on Raúl Muñoz's proposal for a centralized model of governance.	2	1

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ABOUT US



ENERGIA.COM is the internet reporting and documentation center where analysis, reports and documents related to the broader energy sector in Mexico may be accessed. Information is also posted here about upcoming conferences and other events that are related to the energy sectors of the three countries of the Gulf of Mexico.

BAKER & ASSOCIATES, ENERGY CONSULTANTS, based in Houston, is a resource for professionals in the global oil and gas industry who serve in industry, government, finance, the media and academia. Our reports, consultations and workshops offer data and insights regarding policy, institutional and commercial issues in Mexico's energy sector and its political context.

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PUBLIC POLICY PERSPECTIVES are critiques of public policy as it affects the energy sectors of the individual NAFTA countries and, in relation to the Gulf of Mexico, Cuba. The perspective that is sought in these reports is one informed by global best practices, fair competition and democratic values. These reports are available at no cost.

OVERCOMING THE MEXICAN ACCENT IN ENGLISH is the title of a workshop that has been given in Mexico in Pemex, CRE and CNH. The purpose is to offer native Spanish speakers who are already competent in English an opportunity to improve their listening and speaking skills through an introduction to practical linguistics. The workshop leader contrasts the phonological system of Spanish with that of English; and exercises are given to strengthen the ability of the Spanish speaker to hear and repeat the subtle differences between English and Spanish pronunciation. There are two technical reports issued by MEI on this topic.

GEORGE BAKER is the managing director of the firm, and he is the publisher of *Mexico Energy Intelligence®*. In addition, drawing on his academic background as a Fulbright Exchange Scholar at Mexico's National University (UNAM) and as a lecturer in linguistics in the Far East Division of the University of Maryland, he serves as the leader in the language training workshops designed for advanced students of English and Spanish.

His articles in English have appeared in *Oil & Gas Journal*, *World Oil*, *Journal of Energy & Development* and *Mexican Law Review*, among others. His articles in Spanish have been published in *Reforma*, *Energía a Debate*, *Expansión* and *Letras Libres*, among others.



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