

MEXICO'S ENERGY SECTOR: COMMERCIAL & POLICY OUTLOOK

2017

April

SUN, APR 30, 17 **Outlook for Gasoline Pricing in Mexico**

File **10042** This report draws on an industry conference held in Houston on April 25-26, 2017, that was **1**
Pages 12 organized by Oil Price Information Service (OPIS), a unit of IHS. Speakers at the conference
Charts 3 included officers of retailer in Mexico who expressed concerns about their inability to import
products, the lack of storage and what they regard as intrusive over-regulation. In this report,
our concern is about how the enforcement regime of COFECE could come to disrupt
competition. Annex A is a bilingual glossary of defined terms in the Economic Competition
Law. Tables list features of the purchasing experience at a service station that are noticed
(Table 1) and unnoticed (Table 2) by the customer.

TUE, APR 18, 17 **Inquietudes relacionadas con el mercado de combustibles en México**

File **10041** In this this report (in Spanish, with a summary in English), we assess the outlook for an open **2**
Pages 6 market in motor fuel that is supplied by multiple wholesalers and by imports by traders other than
Charts 0 PMI. We identify a half-dozen obstacles that will retard the development of an open market.

WED, APR 5, 17 **Toward an inventory of Mexico's oil and gas reserves**

File **10040** This report takes a preliminary step toward an inventory of Mexico's oil and gas fields by **3**
Pages 32 reordering, by state and federal waters, the straight alphabetical list of field names as provided
Charts 1 by the Energy Ministry (SENER) in its plan for 2015-19. While SENER's alphabetical list is an
improvement over Pemex's practice of sorting fields according to administrative district, the
new list lacks policy, commercial or scientific value. Missing from our Table 1 is information
about the geological age and basin of each field. Having basin information, new tables may be
prepared showing basin totals and distributions, allowing a better understanding of Mexico's
petroleum endowment.

March

FRI, MAR 31, 17 **Comparing the price spread of Mexico's gasoline grades**

File **843** This report compares the national average of maximum prices in Mexico for regular and **4**
Pages 2 high-test gasoline with the prices of comparable gasoline grades in the U.S. Table 1 shows that
Charts 1 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%.

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REPORTS ON MEXICO'S ENERGY SECTOR

Mexico Energy Intelligence®

MON, MAR 27, 17

Motor Fuel Pricing in Mexico

File **842**
Pages 13
Charts 9
Updated 3/31/2017

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.

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TUE, MAR 21, 17

Houston Roadshow for Mexico's Round Two

File **840**
Pages 15
Charts 2
Updated 4/6/2017

On March 9, 2017, a Houston audience was presented with an overview of the upcoming lease auctions in Mexico's Round 2. The principal speaker was Juan Carlos Zepeda, president of the National Hydrocarbon Commission (CNH). Accompanying him were Salvador Ugalde with the Finance Ministry and Oscar Roldán (CNIH). The speakers described improvements to the bidding process, such as allowing a bidder to obtain a certification valid for 5 years for all blocks of that type (such as shallow water). Table 1 compares features of the U.S. and Mexico offshore oil regimes, suggesting that there is just a one-third correspondence. The discussion itemizes concerns voiced offline by prospective contractors.

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WED, MAR 8, 17

Glossary of Pemex Open Season for Sonora and Baja California

File **839**
Pages 25
Charts 5

This glossary provides a guide to the Open Season for contracting capacity in Pemex infrastructure for refined products. The framework is provided in the two annexes of CRE RES 113/2017: Annex I Storage, Annex II Transportation.

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February

TUE, FEB 28, 17

Bilingual Glossary of Fuel Quality Standards in Mexico

File **836**
Pages 22
Charts 4

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.

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THU, FEB 16, 17

Security and Rule of Law in Mexico

File **838**
Pages 14
Charts 0
Updated 2/20/2017

In the light of the disruptions of highway traffic and commerce, including vandalism, that took place nationwide in Mexico during the first two weeks of January, a fresh look at the issues of security and rule of law is appropriate. In this report, we take note of Mexico's low international ranking regarding the rule of law and the universal distrust of the police. We examine several aspects of security risk such as the vulnerability of an organization to extortion by organized crime. In parallel, we raise the topic of the behavior of public officials who seek to monetize their position or experience in government service. The report lists familiar and new precepts for personal security.

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REPORTS ON MEXICO'S ENERGY SECTOR

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WED, FEB 8, 17

ASEA Bilingual Glossary

File 837
Pages 70
Charts 0

Mexico's Hydrocarbon Safety Agency (ASEA) was created by law in the Energy Reform of 2014 as an agency to provide public oversight over the entire hydrocarbon value chain, from seismic surveys to service stations. In 2016, the Agency issued general safety guidelines in May and additional ones in December pertaining to exploration and production. The present report draws on our Lexical Database of Mexico's Energy Sector to create 7 tables in which >100 defined terms and their definitions from the three ASEA documents are translated: Table 1 ASEA Law, Table 2 General guidelines, Table 3 E&P guidelines, Table 4 Composite list, sorted in Spanish, showing source, Table 5 Same, sorted in English, Table 6 Definitions in

January

MON, JAN 30, 17

Mexico's Energy Sector in 2016

File 835
Pages 22
Charts 5

This report surveys developments in Mexico's energy sector in 2016, taking note of high-level personnel changes and institutional and commercial developments. Most of our attention was placed on understanding the farmout strategy that Pemex announced in mid-July and that became the basis for the auction on Dec. 5 of a working interest in Pemex's Trión lease. In relation to the electricity sector, we prepared a Bilingual Glossary of Mexico's Power Industry for the Gulf Coast Power Association. We also prepared several reports related to bilingual proficiency, with reference to challenges in Mexican Spanish. We conclude that the energy reforms of 2013-16 represent a transitional regime. In Table 1 we suggest features of the

MON, JAN 16, 17

Gasolinazo 2017

File 834
Pages 18
Charts 2
Updated 1/19/2017

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 price increases cannot be determined. Officials chose to ignore the geopolitical moment of the imminent installation of a U.S. administration whose policies



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