

MEXICO'S ENERGY SECTOR: COMMERCIAL & POLICY OUTLOOK

2018

May

MON, MAY 14, 18 **OTC 2018: Mexico's Minimalist Presence**

File **100227**
Pages 8
Charts 0

This report is the second on the 2018 Offshore Technology Conference (OTC). No MX government speakers attended. Their absence would mean that oil reform would be ignored in the OTC program. IMP's Ernesto Ríos spoke, as did Pemex's Ulises Hernández, each about their interest in partnerships. We comment on activities at the Pemex stand and at the Mexico Pavilion. [1](#)

THU, MAY 10, 18 **Duncan's Ratio: How to measure the success of the upstream reform?**

File **872**
Pages 9
Charts 1

This report asks about the success of the upstream reforms in Mexico. At OTC 2018, a speaker suggested that the ratio of reform-linked oil and gas production to total production (expressed as a percent) would be a good indicator of the success of the upstream reform. In this report, we analyze the likelihood that CNH and CNIH would publish such statistics (also for reform-linked reserves). We conclude that the data from Pemex will never be available to make this computation. Opponents would characterize an increase as a loss of sovereignty, while a decrease would signify failure. The report asks about other metrics of success, especially ones that would show improvements in the energy-poor half of Mexican society. [2](#)

April

SUN, APR 29, 18 **Speaking Truth to Power: a la mexicana**

File **871**
Pages 11
Charts 1

This 11-page report asks about the candor of public speakers about the new minerals regime that was put in place by the upstream reforms of 2014-15. Attention is given to the use of Chatham House Rule (CHR) as an incentive for presenters to speak their minds. While CHR is do doubt convenient (even mandatory) for speakers with international oil companies, it is of questionable value regarding others. No one is willing to say anything that might put at risk their access to the upper levels of government (to include Pemex and CFE) or put in jeopardy a contract or permit that may be in the works. Annex A is our translation of the prepared remarks of Energy Minister Pedro Joaquín at the energy conference held in Mexico City on April 10. [3](#)

FRI, APR 27, 18 **First Presidential Debate of 2018**

File **1000089**
Pages 2
Charts 1

In the first of three presidential debates of 2018, four of the candidates competed in trying to discredit the front-runner, Andrés Manuel López Obrador (AMLO). The debate was not a debate, as there was no common proposition or statement that the candidates could consider, such as "The reforms that the current government has made in diverse areas of the economy, including energy, will promote economic growth, jobs and energy security." The report considers the question of measures that may be taken to prevent AMLO from winning. [4](#)

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 the energy sector. Reports are distributed principally on a subscription basis.

REPORTS ON MEXICO'S ENERGY SECTOR

Mexico Energy Intelligence®

THU, APR 26, 18

Business Culture Shock in Mexico

File **100226**
Pages 4
Charts 0

Comments on the presentation of Thibaud Cadieu at a Houston meeting on April 23 of the International Association for Mexico Energy. He spoke about cultural idiosyncrasies in Mexico, such as the shyness in business circles to say "no" to a proposal. The report notes questions and observations of members of the audience, and adds some of our own thoughts on the Mexico experience.

5

MON, APR 23, 18

AMLO and the Electons of 2018

File **100225**
Pages 1
Charts 0

This report provides the highlights of a discussion at the Baker Institute on April 19, 2018 that was led by Dr. Tony Payan, director of the Mexico Center. With AMLO's having 48% of voter preference, for 2nd place Ricardo Anaya of the PAN to win it might be necessary for the PRI to "release" its voters in favor of the PAN candidate. Regarding energy reform, Dr. Payan said that to judge be the nominees for cabinet positions, there would be no radical changes to the energy reform.

6

SUN, APR 8, 18

Oil Agenda for Mexico for 2040

File **870**
Pages 25
Charts 1

The report offers a summary and critique of the 170-page study prepared for Mexico's trade associations of oil companies. The document argues that only by continuing what is called "the New Energy Model of Mexico" will Mexico be able to achieve the level of oil production and economic rewards by 2040 that is foreseen in a 2016 study by the Paris-based International Energy Agency. The report ends with ten proposals, reading between the lines of which many of the unspoken concerns of the oil companies are expressed.

7

MON, APR 2, 18

Alberto Escofet Artigas: Questioned government's line about oil policy

File **1000088**
Pages 3
Charts 0

Alberto Escofet (1933-2018) was director general of CFE (1980-82). Later, in 1990, he was Deputy Secretary for Electricity of the Energy Ministry. He was quickly removed from his position after he was quoted in a press interview saying that consideration should be given to including oil in NAFTA discussions. His removal from office sent a powerful signal to the rest of the federal government that no deviation from its negotiating position would be tolerated. In this reminiscence, Alberto's action is characterized as "philosophic manliness."

8

March

MON, MAR 19, 18

Educating the electorate about energy policies

File **10050.1**
Pages 9
Charts 1

This report is intended to encourage government agencies in Mexico's energy sector to make a renewed effort to inform candidates and the electorate at large about the need for energy reform in each market segment and the results that have been observed to date. Table 1 offers talking points around which agencies could develop their own narratives about challenges, successes and steps that are still pending.

9

MON, MAR 12, 18

Deepwater Motivations

File **736.1**
Pages 16
Charts 1

In June of 2008 we wrote: The logic of partnerships in deepwater ventures responds to the interests not only of the oil companies but also to those of society: all parties want new oil supplies and optimized value-generation. In Mexico's case, Pemex has told the government that it cannot develop the deepwater areas of the Gulf of Mexico alone. The current energy debate hinges largely on this one statement. A new window into the debate in Mexico is offered by the experience of IOCs for whom such associations are routine. Nine years later, in December of 2016, Pemex got its first "partner" by an auction conducted by the National Hydrocarbon Commission. In a new introduction, we ask: What counts as a partnership?

10

REPORTS ON MEXICO'S ENERGY SECTOR

Mexico Energy Intelligence®

THU, MAR 1, 18

Defending the Energy Reform

File 10050
Pages 8
Charts 1

The merits of the Energy Reform of 2013-15 may emerge as a major issue in the presidential campaigns and debates. Only the MORENA party led by Andrés Manuel López Obrador has an energy program. Its program is skeptical, if not hostile, to the reform. The other candidates need a crash course of instruction that will not be provided by the online posting of documents and press releases. As of April 1, a "silent period" begins in which the government may not use the public media to promote its programs or educate candidates and voters. This report offers suggestions a counter-narrative of success. [11](#)

February

WED, FEB 21, 18

What should CNH tell the next government?

File 867
Pages 14
Charts 0
Updated 2/25/2018

An interview held with President-Commissioner Juan Carlos Zepeda on February 6, 2017. The topics cover items flagged in our earlier report that was issued on January 10 in which we imagined his responses to questions about the design of the upstream regime and CNH's role. One of the questions was about the divisibility of lease areas and the conditional conveyance of title in a farmout agreement. Mr. Zepeda also offers his recommendations for the next government concerning natural gas. [12](#)

SUN, FEB 18, 18

Outlook for Mexico's Energy Reform

File 868
Pages 17
Charts 1

Rice University's Baker Institute hosted a panel discussion on the outlook of Mexico's energy reform under the scenario in which a party of the Left led by Andrés Manuel López Obrador wins the presidency in the general elections that are scheduled for July 1, 2018. This report reviews highlights of the comments by the keynote speaker, Jesús Reyes Heróles, and those of panelists Lourdes Melgar, Miriam Grunstein and Pablo Zárate. In the Background section, prior elections are reviewed in which the candidate of the Left has been denied the presidency, fairly or otherwise. We identify features of the design of the energy reform that should be understood as accommodation to the views of the Oil Left. In the section of Observations, we identify upstream design flaws. [13](#)

January

FRI, JAN 26, 18

Mexico's Energy Reform in 2017

File 866
Pages 19
Charts 4

Provides titles lists and scope of MEI reports sorted by topic (Table 1), in chronological order (Table 2) and in reverse order (Table 3). There were 38 reports in 655 pages. Topics of special interest was the rush to open gas stations by non-Pemex operators, the liberalization of motor fuel prices, and the (flawed) attempt by the Energy Ministry to rush through guidelines on unitization. [14](#)

WED, JAN 24, 18

What should CRE tell the next government?

File 865
Pages 17
Charts 1

This report reviews topics that were presented in the CRE workshop that was held at the Law Center of the University of Houston on December 6, 2017. Among the topics were the pricing of motor fuel, LPG and natural gas. As for what should CRE tell the next government, the report identifies bottlenecks to commerce that the next government should clear up. [15](#)

WED, JAN 10, 18

What should CNH tell the next Government?

File 864
Pages 25
Charts 0

This report falls in our series "What should [a government agency in Mexico's energy sector] tell the next government?" This report follows, historically, with earlier reports issued in 2012 and 2015. In the course of a dialogue that traces the history of Mexico's National Hydrocarbon Commission (CNH) from 2009 to the present, questions and topics are raised that are pertinent to the current upstream regime that was made possible by the Energy Reform of 2013-14. [16](#)



REPORTS ON MEXICO'S ENERGY SECTOR

Mexico Energy Intelligence®

TUE, JAN 9, 18

Persistent questions about CNH lease auctions

File **863**

Pages 7

Charts 3

This report identifies persistent questions and concerns about Mexico's leasing program, taking, for illustration, the outcomes of shallow-water bid round 2.1. There are persistent questions about the many aspects of the leasing program in respect to which there is little or no transparency. [17](#)