

OTC 2018

Mexico's Minimalist Presence

ONE WOULD THINK that the astonishing accomplishment of the Mexican government to have had a half-dozen international auctions in three years for commercial rights to onshore and offshore oil and gas deposits would have stood out in the minds of the members of the Program Committee of the Offshore Technology Conference (OTC). The unprecedented series of events—the most important in the Gulf in two decades—would have inspired them to schedule several panels plus a keynote speaker to evaluate the recent upstream history and outlook in Mexico. But no—not a single panel or speaker dedicated to evaluating the upstream reform in Mexico.

This report is the second in a series that we shall prepare that draws on information and insights gained from OTC. The focus is on Mexico-related speakers, events and venues.

INTRODUCTION

THE YEAR 2018 WAS THE 50TH ANNIVERSARY of this annual event in Houston that, since 1968, has had upwards of 2.5 million attendees. Attendance varies with the price of oil, among other factors. This year, attendance was upwards of 70,000 but when the oil price was above \$100, attendance was upwards of 85,000. One could tell by the open spaces in the parking lots that it was not a full crowd.

This year, there was an opening ceremony during which the early history of offshore operations was told by a series of speakers using historic photographs. One narrative told how **Shell Oil Company** developed, in utmost secrecy, an early offshore platform, one that, once installed, provoked the envy of competitors who sent helicopters with cameras. Shell asked the U.S. federal government for licenses to drill, but the reply was that the award of licenses would have to take place under competitive conditions. Shell then found itself in the unexpected position of having to hold workshops to instruct its competitors about the engineering secrets of the platform.

At OTC 2019, there will be a commemorative volume that will review the first half-century through 2018. We offered to be a reviewer of the chapter on Mexico, based on our 20 years of continuous reporting on the policies, laws and institutions of Mexico's oil and gas sector.

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DISCUSSION

IN THIS SECTION, we give attention primarily to panels, speakers and venues associated with Mexico's oil industry. We attended other panels, such as those on intellectual property rights¹ and artificial intelligence, but we do not include reference to them in this report.

Absence of Mexican government speakers

The absence of Mexico from the program was so conspicuous that we asked for a meeting with the OTC program chairman. We met, instead, with Stephen Graham, a senior staff member of the Society of Petroleum Engineers (SPE) and the person who is responsible for overall coordination of OTC. Mr. Graham explained that the absence of Mexico from the program reflected the interest of the membership, adding that the Program Committee had received some 800 suggestions for panels, and had acted accordingly. He emphasized that SPE is essentially an organization dedicated to science and engineering, not to business news *per se*.

A slightly different picture was given by Mexico's Consul General Oscar Rodríguez, who, attending OTC, commented that he had had to explain to OTC staff that Mexico's electoral law forbids public officials from speaking in public about the programs or accomplishments of the current administration. In effect, no official from the Energy or Finance Ministries, Energy Regulatory Commission (CRE) or Hydrocarbon Commission (CNH) spoke at OTC.

Mexico Export Promotion panel: Day 1

On Monday afternoon, there was a two-hour program at the NRG Arena (but not part of OTC) that was organized by the export promotion office of the U.S. Department of Commerce. It is an annual event at which, in the past, senior people from CRE, CNH and Pemex have been speakers. This year, the only speaker from a government agency was Ernesto Ríos, the director of the Mexican Petroleum Institute (IMP). He explained that the purpose of the institute was to create knowledge and develop technology.

"Where, before, the Institute only served Pemex, today, thanks to the energy reform, the Institute's mandate is to serve the entire oil industry," adding that IMP's revenue is from patents and services.

He described its recently inaugurated Deepwater Technology Center (CTAP), which features several laboratories: fluid separation; fluid assurance; drilling, completion and cementing fluids; geotechnics; and ocean hydrodynamics and severe weather training.²

¹ A reporter asked the panel the perennial question: Which side most advances innovation, oil companies or service companies? The speaker at the podium replied, "you have to choose where you want to innovate. You can't innovate everywhere."

² <https://www.gob.mx/imp/articulos/centro-de-tecnologia-para-aguas-profundas-ctap-clave-para-la-competitividad-del-sector-de-los-hidrocarburos?idiom=es>



Additional reading

Year	Topic	File #	Pages	Chart	
2018					
1	May 10, 18	Duncan's Ratio: How to measure the success of the upstream reform?	872	9	1
<p>This report asks about the measures of 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.</p>					
2017					
2	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>					
2013					
3	Jun 05, 13	OTC 2013 (Part II): Offshore Safety Culture	100170	17	2
<p>On December 20, 2013, the Bureau of Safety and Environmental Enforcement (BSEE), which provides oversight of oil and gas operators, listed traits of a robust safety culture, and asked for comments from informed parties. The agency sought to give form to the widely voiced complaint that followed the blowout and oil spill at the Macondo well in 2010: stakeholders had a lax safety culture. The topic of offshore safety was a subject of discussion at OTC 2013. This report reviews the causes of the Macondo accident in the light of BSEE's mandate that operators shall have a positive safety culture.</p>					

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Additional reading

Year Topic File # Pages Chart

4 May 29, 13 **OTC 2013 (Part I): Mexico and the Pemex Pavilion** 100169 11 0

The Offshore Technology Conference (OTC) is the annual global event that, in 2013, drew more than 100,000 visitors from 40 countries. There were 2,700 exhibitors. Until 2012, Pemex had been conspicuously absent from OTC, an omission that in 2012 was corrected with its first, modest stand. In 2013, there was a much larger commitment to an OTC presence by Pemex, joined by officials from SENER, CNH and IMP. As on previous occasions, Pemex's Carlos Morales gave a presentation at an OTC breakfast, and there was a panel for prospective suppliers. This report tells the Mexico story at OTC 2013.

2012

5 Jun 09, 12 **OTC Snapshots: From Calderón to Hart Energy** 100129 9 0

This report comments on Mexico's presence at the Offshore Technology Conference. The OTC is an annual event in Houston that takes place in the first week in May. In OTC 2012 Pemex had its first booth, and the head of Pemex E&P was on a panel on global trends. These are two signs that OTC and Pemex are taking each other more seriously than in the past. The report also includes reference to President Felipe Calderón's visit to Houston April 25, and to a seminar on Latin American oil markets on May 3rd.

2007

6 Jun 13, 07 **La OTC y el logotipo de PEMEX (Pemex's missing presence at OTC)** 061307 1 0

This op-ed article laments that in OTC 2007 the only place where the logo of Pemex could be found was on the scale model of the FPSO that was being refitted for Pemex's use. The article urges Pemex to increase its presence in OTC, sending mid-career professionals to extend their networks outside of Mexico. Published in REFORMA (June 13, 2007).



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Mailing Address:

Box 271506

Houston TX 77277-1506

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info@energia.com