

ANNUAL CATALOG

MEXICO'S ENERGY SECTOR Commercial and Policy Outlook Reports

2013

TUE, JAN 1

Mexico's Offshore Entities in the Oil Sector: Examples, Benefits and Criticism

File **10025**
Pages 28
Charts 3
Updated 1/16/2013

This report provides an overview of the network of two dozen offshore legal entities that operate in the Mexican oil sector. Most, but not all, of these entities have "PMI" a part of their corporate names. Several of these entities are described with examples of their commercial projects, the Los Ramones pipeline, for example. In Mexico, much, but not all, of the criticism of these entities is misplaced; as they perform important functions of financial leverage and risk management.; but without adequate corporate governance and public oversight, harm can be done. There are 36 technical notes and references.

1

THU, JAN 10

The Logic and Options for Energy Reform in Mexico

File **100154**
Pages 9
Charts 17

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.

2

SAT, JAN 26

ITAM's Oil Reform Proposal (Part II)

File **100155**
Pages 8
Charts 0
Updated 1/28/2013

Calls and suggestions for energy reform in Mexico have been heard and read for a generation in Mexico. The Energy Reform of 2008 was well-intentioned, but it neither introduced market price signals nor did it promoted competition with (that is, against) Pemex or CFE. In mid-January 2013, another call for upstream reform was issued by the Woodrow Wilson Center in Washington. The paper argues for sweeping changes that would give the government and Pemex more flexibility. We examine the arguments presented, and offer picaresque rejoinders by Pemex E&P and by PMI Comercio.

3

THU, JAN 31

Plans and Options for Energy Reform in Mexico

File **200154**
Pages 20
Charts 6

This portfolio contains two related reports that, together, frame the limits of current and past debates about the reform of the Mexican energy sector: Market Note 150, issued December 5, 2012, which examines the energy components of President Peña Nieto's "Pact for Mexico," and Market Note 154, issued January 10, 2013, which provides an overview of energy reform ideas since the 1980s. The portfolio also contains a Word file conversion of the official PDF of the "Pacto por Mexico," thus making the text more easily readable by machine translators.

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MEXICO ENERGY MEXICO ENERGY INTELLIGENCE™ (ISSN 2380-6400) is a digital publication based in Houston since 1996 and edited by market analyst and historian George Baker, Ph.D. We synthesize business journalism and academic scholarship, analyzing law, regulation, policy, and institutional governance in Mexico's energy sector *from the perspective of regulated market solutions*. Subscribers are energy companies, regulators, trade associations, law firms and university libraries. Reports are distributed principally by paid subscription.

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FRI, FEB 1

George Baker “Voto Razonado” [Why two proposals before the Pemex corporate board should be rejected]

File **020113**
Pages 1
Charts 0

This op-ed article, published in *Reforma*, criticizes two proposals under consideration by the corporate board of Pemex: 1) restructuring Pemex so as to consolidate gas, refining and chemicals; and 2) the “Los Ramones” project, which would have an offshore affiliate of Pemex Gas as the developer of a major natural gas pipeline project to bring gas to central Mexico from the U.S. border. The article imagines a scene in which the president of Mexico scolds Mexican industrial companies for their failure to build their own natural gas pipeline, as they were granted this right in the Natural Gas Act of 1995.

5

TUE, FEB 12

Explosion at Pemex HQ Building B-2: Narrative and

File **100146**
Pages 10
Charts 0
Updated 2/25/2013

On January 31, 2013, an explosion in the sub-basement of Building B-2 in Pemex's HQ complex collapsed three floors, including the basement, where an archive of titles and architectural drawings. The cause was in doubt from the beginning; forensic investigators from the Interior Ministry found that the explosion had been of natural gas. There were awkward details: the drawings of B-2 do not show gas pipelines in the sub-basement, and there was no odor of gas. Soon, there were counter-narratives that disputed the official view. This report, with 20 technical notes and references, examines competing narratives.

6

FRI, FEB 22

U.S.-Mexico Transboundary Hydrocarbon Agreement (Part III)

File **100156**
Pages 10
Charts 1

This report, the third in a series, examines the outlook for approval and implementation of the Agreement of 2012. A year later, the Obama administration has not formally sent it to the Congress, on the grounds that the political timing is not yet right. The report observes that there are reasons associated with the language of the agreement that will likely give congress cause for concern. One of these is the apparent unwillingness of the Mexican side to commit to a single unit operator for a unitized field; a second concern involved the ability of Pemex to invoke sovereign immunity in the event of an oil spill.

7

FRI, MAR 8

US-Mexico Transboundary Hydrocarbon Agreement (Part IV)

File **100157**
Pages 11
Charts 5
Updated 3/9/2013

This report identifies some of the technical issues and agreements that need to take place between the licensees in a JV of the kind that would be formed to exploit a cross-border reservoir in the framework of the US-Mexico Hydrocarbon Agreement of 2012 (TBA). Because of the political sensitivity of the topic, attention is given to the selection of the operator of the venture. The TBA is likely to be more important to Mexico for its heuristic value than for its facilitating oil production in Perdido. The TBA is an exercise in imagining an equity-based JV of the kind Pemex needs outside Perdido as well.

8

THU, MAR 14

What Should the CRE Tell the Next Government? (Rev. 2)

File **100118.2**
Pages 13
Charts 1

This report, first issued on Feb. 28, 2012, concerns the institutional and policy challenges that confront the Energy Regulatory Commission (CRE) in fulfilling its mandate to regulate the electric and gas sectors. These challenges are expressed in this report as a series of problems, each with ideas for possible solutions. This revision of the report makes reference to new regulatory, policy and contractual issues associated with CFE as a gas marketer and pipeline operator. Attention is given to the need to define the rules for a secondary market for pipeline capacity.

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TUE, MAR 19

Mexican Oil Expropriation at 75

File **100159**
Pages 8
Charts 2

This report reexamines the meaning of the oil expropriation of 1938, casting it in the light of the global reach that a National Oil Company could aspire. The report concludes that the expropriation is a half-fulfilled promise, as Pemex is still an NOC in a domestic market. The report critiques the remarks of President Peña and DG Lozoya at the March 17th commemoration. Exhibit A is a side-by-side comparisons of two chronologies of Pemex history, as written by Pemex's Public Affairs Office. Exhibit B is our reconstruction of the history of the oil industry and Pemex in the context of global markets.

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FRI, MAR 22

Decommissioning Conference 2013

File **100160**
Pages 10
Charts 1

The 5th annual Decommissioning and Abandonment conference was held in Houston, March 19-21. There were speakers from the oil companies, contractors, regulators and consultants; and there were upwards of 60 exhibitors. Of the 350 delegates, none was from Latin America. This report reviews some of the topics that were discussed, among them the "rigs to reefs" (R2R) programs of several coastal states; also reviewed are a few of the technologies and services that were discussed. In Mexico, meanwhile, Pemex includes abandonment in its new contracts; but the CNH has not yet issued rules.

11

SAT, MAR 30

Going Native in Mexico: A Management Report for the HR Department

File **100162**
Pages 8
Charts 0
Updated 2/28/2015

In this report, we redefine the notion of "going native" to refer to the tendency to interpret Mexican energy law and policy in Mexican terms. In diplomatic circles this tendency is called "clientitis." This tendency gives inadequate attention to the global energy conversation that is taking place outside of Mexico and mainly in English. Energy professionals for whom English is not their native language need to take extra care to join the global conversation. The discussion in Mexico in early 2013 gave the impression that the Peña Nieto administration is engaged in a monaural listening only to Mexican narratives.

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WED, APR 3

Overcoming the American Accent in Spanish

File **100110.1**
Pages 13
Charts 4
Updated 9/4/2013

In Market Note 162 we emphasized the need to listen stereophonically, with one ear to the global conversation about energy (noting that it largely takes place in English), and with the other ear to the evolving local market conditions and national narratives (which largely take place in Spanish). For some native and 2nd-language speakers of English, Spanish is an essential tool and dimension of their careers. The present report is for this group of readers. By the use of several concepts from linguistics, the discussion provides practical tips on how to improve listening, pronunciation and confidence.

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THU, APR 11

Integrated Trade Systems, Inc. - Pemex's Strategic Procurement Office in Houston

File **100065.1**
Pages 5
Charts 4

Integrated Trade Systems, Inc., is Pemex's strategic procurement office in Houston. Established in 1994, it was conceived, on the one hand, as a way to limit the role of middlemen in Pemex's international transactions, and, on the other hand, as a way to circumvent the awkward requirements pertaining to government procurement. ITS helps Pemex by establishing framework agreements with suppliers of proprietary technologies and specialized services. These agreements allow Pemex to request these services on a sole-source basis. The ITS solution to Pemex's procurement needs also has its critics.

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SAT, APR 27

Benchmarking Expectations for Mexican Energy Reform (Part I): Market Dynamics

File **100165**
Pages 8
Charts 0
Updated 5/15/2013

One useful way to understand the evolution of the Mexican economy in general and the development of the energy sector in particular is to view the period since 1959 as a Import Substitution Strategy. In late 1958, the Congress passed a new Petroleum Law that effectively eliminated the legal figure of a private oil mineral interest. In so doing, one of the four elements for a successful oil industry was removed: private economic incentive. The other three elements--talent, technology and financing--were to be sought via a STEM curriculum at the IMP and IPN, CONACYT scholarships, IMP research and foreign debt.

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MON, APR 29

Benchmarking Expectations for Mexican Energy Reform (Part II): Midstream

File **100166**
Pages 5
Charts 0
Updated 5/17/2013

This report examines three levels of reform that could be considered by the Peña Nieto government: Lite, Plus and Heavy. The first would require Pemex Gas to offer Unbundled Service on selected segments of its pipeline to any qualified user in an Unbundled Services framework. In a deeper reform, the legal concept of First-Hand Sale (VPM) would be eliminated with two justifications: the lack of a constitutional foundation and the severe economic distortions caused by having the State control all end-user prices. A yet heavier reform would be to exclude PGBP from having equity or business control of new pipelines.

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TUE, APR 30

Benchmarking Expectations for Mexican Energy Reform (Part III): Downstream

File **100167**
Pages 6
Charts 0
Updated 5/18/2013

This report examines reform ideas that could be embraced by the Peña Nieto administration that would introduce market dynamics into the downstream segment of the oil and gas industry. One idea is to deregulate the retail price of gasoline in selected neighborhoods, to learn about the price elasticity of the demand for gasoline as a social product.

17

MON, MAY 20

Overcoming the Mexican Accent in English (Part III)

File **100163**
Pages 10
Charts 3

This report is a continuation of our reporting on how to increase the proficiency of second-language energy professionals in English. The present report focuses on the matter of the stress of multi-syllable words and phrases. The report gives practical advice as to how to figure out the stressed syllable in any given two- or three syllable word. For this, elements of linguistic theory are provided as tools. Applying these tools, you can understand the stress in words such as “**probable**,” “**about**,” “**accent**,” “**access**” and “**assess**.” (stresses in bold).

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TUE, MAY 21

Benchmarking Expectations for Mexican Energy Reform (Part IV): Corporate Governance and Public Oversight

File **100168**
Pages 12
Charts 0

This report is the fourth in a series on benchmarking expectations for market-oriented reforms in the energy reform that has been announced by the Peña Nieto administration. This report examines the difficult topic of corporate governance and public oversight in Pemex, which was the principal concern of the 2008 Energy Reform. At present, there is no clean line between the two functions, a situation with high opportunity costs. In several places we follow the recommendations of the OECD in its confidential report of September 1, 2010; for example, the removal of all cabinet ministers from the Pemex board.

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WED, MAY 29

OTC 2013 (Part I): Mexico and the Pemex Pavilion

File **100169**
Pages 11
Charts 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.

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FRI, MAY 31

Interview with Colin Stabler

File **2013.1**
Pages 3
Charts 0

A consulting petroleum geologist based in Mexico City, with decades of experience in Mexico, offers his views on energy reform.

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<http://www.energia.com/conversation-with-colin-stabler/>

WED, JUN 5

OTC 2013 (Part II): Offshore Safety Culture

File **100170**
Pages 17
Charts 2
Updated 6/6/2013

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.

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WED, JUL 17

Pemex's Third Bid Round: Chicontepec

File **100171**
Pages 15
Charts 5
Updated 7/31/2013

On July 11, 2013, Pemex held its third round of public auctions for the farm-out of marginal fields in the Chicontepec area. The results of the auctions were disappointing in the respect that the larger 3P blocks, failed to attract a bidder. Three companies deployed a bidding strategy that had been employed by Petrofac in 2011: bid just above the minimum (of \$5.00). In 2013, the minimum was >\$0.00, which permitted a winning bid by Halliburton of \$0.01/bbbl. We find these results problematic for Pemex and the State.

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FRI, JUL 26

Mexico Needs Big Oil-Policy Change

File **072613**
Pages 1
Charts 0

An invited response to the *Journal's* editorial of July 20, "Mexico's Petro Flop," which criticized the outcome of Pemex's third bid round in Chicontepec. The letter observes that the bidding strategy of Halliburton and others anticipates the contract's profits will come from the invoicing for reimbursable expenses from services provided by related companies. This model will not work for deepwater, as oil companies have arms-length relationships with their suppliers. Letter to the Editor, *Wall Street Journal* (July 27 in the print edition), by George Baker.

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TUE, AUG 6

Interview with David Shields

File **2013.2**
Pages 4
Charts 0

David Shields is the publisher of ENERGIA A DEBATE, a bi-monthly publication about energy issues in Mexico, shares his views about energy reform.

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<http://www.energia.com/interview-with-david-shields/>

WED, AUG 7

Questions to Ask about Enrique Peña Nieto's Energy Reform

File **10026**
Pages 10
Charts 0

This report, issued in advance of the publication by the government of its energy reform package, lists what we consider to be the main business and policy questions that should be asked of the proposal. The questions are grouped by topic: Upstream, Electric Power, Midstream, Downstream and Pemex Governance. We recommend that analysts resist getting drawn into arcane discussions of Mexico's legal history and theory. For today, the questions need asking concern the shape and commercial appeal of investment opportunities that the government may offer to Mexican and international investors.

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MON, AUG 12

Enrique Peña Nieto's Energy Reform Package: Waiting out the final hours

File **100172**
Pages 8
Charts 1

This report is the seventh in a new series in which the options for energy reform in Mexico are discussed. The report is meant to give a last look at these issues and option prior to the unveiling of the government's program. One conclusion in the report is that the government should not promote joint equity associations between private capital and either Pemex or CFE; instead, the government should create a new E&P and power utility as a corporation that issues common stock and that offers a minority of its shares in a major exchange. In this way, market vigilance will be the government's ally.

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MON, AUG 26

How IOCs and Host Countries Create Wealth: An Indirect Critique of Mexico's Energy Reform Proposals

File **10027**
Pages 10
Charts 9
Updated 8/28/2013

On August 12, 2013, President Peña Nieto proposed a new constitutional framework in which future energy policy could be developed. The PAN and the PRD also presented their frameworks, the former also calling for constitutional changes; the latter asking only for executive orders and changes in legislation. The frameworks of the PAN and PRI are deeply meditated elucidations of Mexico's oil legislation going back to 1940 and beyond. In this present report we do not examine these frameworks in detail; instead, we offer a global mirror of international practices in which they may be seen in reflection.

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WED, SEP 11

Lifting Mexico's Oil & Gas Potential: Presentation at the BN Americas O&G Summit

File **09/11/13**
Pages 17
Charts 4

As all of the invited government and Pemex speakers from Mexico had declined to participate (following instructions), the conference organizers had to improvise for the Mexico panel. George Baker was one of three substitute speakers He observed that a Pemex 2.0 is needed as a state majority-owned NOC with the mandate to carry out JVs in Mexico and abroad. The slides are posted on Energia.com.

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<http://www.energia.com/wp-content/uploads/2013/09/G-Baker-Lifting-Mexicos-oil-and-gas-potential.pdf>

THU, OCT 3

Interview with Ricardo Pascoe: Political analyst, diplomat, congressman

File **100313**
Pages 4
Charts 0

The discussion at a long lunch in Mexico City on September 25 was reworked into an interview. Mr. Pascoe is a weekly columnist at *Excelsior*, and a former congressman and diplomat (Mexico's ambassador to Cuba). He has been involved in national politics for 30 years (most of them with the PRD). He is considering returning to Congress in 2015.

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<http://www.energia.com/interview-with-ricardo-pascoe-political-analyst-diplomat-congressman/>

File **2013.3**
Pages 4
Charts 0

Ricardo Pascoe is a weekly columnist in *Excelsior*. He served in the Mexican congress as a PRD legislator, In the Fox administration, he was Mexico's ambassador to Cuba.

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TUE, OCT 8

Draft License Agreement for Mexico

File **100173**
Pages 18
Charts 2
Updated 2/15/2014

This report incorporates elements from discussions held in Mexico during September 17-25, 2013, with diverse sources in government, industry, academia and the press. The central insight is that the proposals by the PAN and PRI to turn the clock back in Article 27 to 1940 have been misunderstood: they have been seen as having been intended, cynically, to win over the Cárdenas-leaning Left; but their real purpose is to make it clear that Art. 27 establishes state ownership of petroleum resources only in situ. In this way, the commercial exploitation becomes matters of law and regulation.

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FRI, OCT 11

Revisiting the Tabled Agenda from 2008 of Deepwater Technology

File **1000001**
Pages 1
Charts 0

This one-page Market Comment draws attention to a nearly-forgotten government TV spot from 2008 that advocated a policy that would lead to Mexico's acquiring deepwater technology for its buried "treasure." The link to this spot on YouTube is provided, with the recommendation that interested parties view the film regardless of their skill in Spanish. The government did not then propose any terms and conditions for the acquiring of such technology; but it would seem that the government in 2013 intends to put an offer on the table.

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SAT, OCT 12

Private Equity Funds in Mexico's Energy Sector

File **1000002**
Pages 2
Charts 0

This Market Comment provides a brief introduction to the several private equity funds that are focused on the energy sector in Mexico. Among these are Axis Capital Management, founded in 1990, and Protego, founded in 1996 by former finance minister Pedro Aspe. Newer funds are those managed by Luis Ramírez Corzo and Jesús Reyes Heróles, both of them former directors general of Pemex.

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MON, OCT 14

Spitting research responsibilities: Industry, government and academia

File **1000003**
Pages 6
Charts 0

This report comments about two meetings held in Houston on October 9 and 10 related to the oil industries in Mexico and Latin America. One meeting was held at the Baker Institute of Rice University. The director of the Mexico Center expressed his interest in a series of short "Issue Papers" that would limit itself to identifying a topic of public policy. The second meeting was an upstream briefing on Latin America by consultants Wood Mackenzie. Pages 2-6 of this report consist of an annotated list of topics in the Mexican energy sector that could receive academic attention in issue papers.

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WED, OCT 16

Brazil's Round 11: the Libra Pre-Salt Field

File **1000004**
Pages 0
Charts 1

This report is based on the presentations and off-line conversations at a workshop held on October 15, 2013, in Houston about the upcoming auction of the Libra Block, a pre-salt formation in Brazil's Santos Basin. The workshop was organized by Control Risks, a security consulting firm. The presentations hinted at the multiple layers of risk in this auction. The presentations identified areas of concern that would make a major IOC with deepwater qualifications pause before entering the bidding. [Note: There would be just one bid, a consortium of Shell, Total and several Chinese NOCs.]

36

FRI, OCT 18

Why Energy Reform? Five independent arguments--none convincing

File **100178**
Pages 7
Charts 1
Updated 10/28/2013

From the beginning, with the "Pact for Mexico," the administration of Enrique Peña Nieto has said that it wants energy reform; in August, 2013, it released a document calling for amendments to Constitutional Articles 27 and 28. The government has not, however, been forthcoming about the compelling motive for seeking reform. Outside observers presume that the motive has to do with a desire for increased production of oil and gas, especially in provinces and reservoirs where no Pemex production has yet occurred. But there are other arguments with different understandings, some in circulation others not.

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THU, OCT 24

Dos Precisiones [Two clarifications]

File **102413**
Pages 1
Charts 0

The term "precision" is used in Mexico when, in conversation, one person wants to contribute a clarification, fact or consideration. It is in this sense, in the context of the national conversation that is taking place in Mexico regarding energy reform that the term "precisión" is employed in this opinion piece in REFORMA. It argues that the 1958 changes to the Oil Law were unconstitutional, and that the proper scope of Article 27 is about ownership, not stewardship. The second point is that a Pemex 2.0 is needed so that Mexico's NOC can operate abroad and in alliances with global companies.

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SUN, NOV 3

Academic Discussions of Energy Reform

File 1000006
Pages 1
Charts 0

The report comments on two academic conferences on energy reform: COLMEX, on October 29, and BAKER INSTITUTE at Rice University, on October 31. We observe that the “new players” may be able to compete against each other, but they will not be able to compete against the National Energy Narrative or the state energy trade unions in Pemex and CFE. There is a gravitational pull on the minds of panelists to frame their observations in a Pemex-centric or CFE-centric fashion. George Baker was a panelist on the first panel at the event at Rice. The panels may be viewed via webcast.

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MON, NOV 4

Interview with George Baker

File 2013.4
Pages 3
Charts 0

An interview first published on MEXIDATA.INFO, a portal that provides news and commentary on political and economic issues related to Mexico and Latin America. The website has a dozen postings for George Baker <http://mexidata.info/id3745.html>

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<http://www.energia.com/oil-and-energy-reform-in-mexico-an-interview-with-george-baker/>

WED, NOV 6

The Future Shape of Energy Reform: Comments Regarding the Discussions at the Baker Institute

File 1000007
Pages 4
Charts 1

This report draws on the panel discussions held on the campus of Rice University on October 31 in a conference on energy reform that was organized by the Mexico Center of the Baker Institute. The discussions on three panels may be seen in the webcasts on the portal of the Institute. This report reconstructs the arguments and proposals put forward by George Baker in the first panel on “The Future Shape of Energy Reform in Mexico.” His remarks cover points made in his article that was published in REFORMA on October 24 entitled “Dos Precisiones.”

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File 2013.5
Pages 9
Charts 0

Johannes Werner is editor of Cuba Standard, an online news and opinion portal focuses on Cuban and Cuban-American political and economic issues.

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<http://www.energia.com/interview-with-johannes-werner-editor-cuba-standard>

FRI, NOV 8

The Evolving Shape of Upstream Reform in Mexico

File 100174
Pages 4
Charts 2

This report comments on the innovative as well as problematic features of the Mexican government's initial proposal to devise a new oil regime based on a profit-sharing model. A WSJ article of November 6 tells of high-level negotiations between the PRI and PAN to offer blocks to IOCs on terms that would reflect cost and risk, including production-sharing and licenses.

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SUN, NOV 10

Awkward Arguments for Energy Reform: Mexico needs the major IOCs, especially Exxon

File 1000008
Pages 4
Charts 0
Updated 11/14/2013

This report continues the line of inquiry that was begun in Market Note 178, which examined the reasons for energy reform currently in public circulation in Mexico. The present report identifies three compelling arguments, none of which, however, would be politically acceptable in Mexico. The first of these concerns Mexico's need for positive press to reverse the current economic slump. Mexico needs an investment by a major American IOC as the news would send a powerful message to Wall Street that Mexico had devised--after a decade of trying--a competitive oil regime.

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- SUN, Nov 17** **CRE Overflight of Energy Reform: High-altitude observations by three CRE commissioners** 45
- File **769** This report showcases and critiques the recent contributions to the national energy debate by three CRE commissioners: Francisco Barnés de Castro, Francisco Salazar and Guillermo Zúñiga. The reformatted senate presentations of Barnés and Salazar are appended to the report. We observe that the CRE does not have a mandate to find fault with laws, policies or institutions; this constraint results in high-level observations that are informed by economic theories of competition, investment strategy and pricing. In Ing. Salazar's presentation, market-mechanisms are recommended for both the oil and power sectors. 45
- Pages 22
- Charts 2
- THU, Nov 21** **The Virtual Betrayal of Energy Reform** 46
- File **1000009** In the early 1990s, despite the promise of NAFTA and other international trade agreements, Mexico's energy sector turned neither toward a market economy nor toward a mixed economy; it turned toward a "virtual market economy" in which indicators of competitiveness were accepted as a substitute for actual competition. The report offers a perspective on how to judge the seriousness of the current cycle of energy reform. The report draws on an earlier article published in Energy Studies Review (McMaster University), Vol. 6 (3). <http://digitalcommons.mcmaster.ca/esr/vol6/iss3/1>. 46
- Pages 3
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- SAT, Nov 30** **Interview with Luis Miguel Labardini** 47
- File **2013.6** Luis Miguel Labardini is an energy consultant and partner in Marcos y Asociados, a Mexico City-based investment advisory firm. He offers his views on the priorities and consequences of energy reform. He observes that the high prices for oilfield services compared to prices in the U.S. arises from a Pemex monopsony. 47
- Pages 4
- Charts 0
- <http://www.energia.com/an-interview-with-luis-miguel-labardini/>
- SUN, DEC 1** **Interview with Francisco Salazar** 48
- File **2013.7** Francisco Salazar is the third president-commissioner of Mexico's Energy Regulatory Commission (CRE). He has served since 2005. In this interview he emphasizes the importance of energy reform for the development of energy markets in Mexico. 48
- Pages 8
- Charts 1
- <http://www.energia.com/interview-with-francisco-salazar-president-energy-regulatory-commission-cre/>
- THU, DEC 5** **Guessing at the Text of the 2013 Energy Reform: Only Constitutional Articles 27 and 28** 49
- File **1000010** The purpose of the energy reform is to give the government the flexibility it needs to be able in the future to respond to evolving technologies, business models and market conditions. Proposals for new contracts with oil companies are currently being discussed in the congress, but the government needs the constitutional flexibility first before any of it can become part of the implementing legislation of 2014 that will set forth new contractual frameworks that include new roles for oil and power companies. 49
- Pages 2
- Charts 1

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2013

SUN, DEC 8

Joint Senate Committee Report on Energy Reform

File 1000011
Pages 5
Charts 1

By early afternoon on Saturday, December 7, copies of the Joint Senate Committee Report had been leaked to reporters based in Mexico City; and by the end of the day the 295-page report was posted online. Our report offers our initial reactions, along with caveats. There is much to applaud on the oil side, less on the power side. The legal strategy carries some risk: the idea is to append this document to the proposed constitutional amendments as a framework that will bind the congress in 2014 when it writes implementing legislation. We include a 3-page table of contents to the Senate document.

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TUE, DEC 10

Looking Beyond the Senate Report on Energy Reform

File 1000012
Pages 1
Charts 0

This report identifies some of the benefits that will accrue to the government, Pemex and prospective investors in the oil sector from the implementation of the concepts put forth in the 2013 Joint Senate Committee Report on Energy Reform. The principal benefit to be gained by the government will be the ability to respond to evolving technologies, business models and market conditions without needing another constitutional debate. It is for this reason that constitutional amendments are needed to remove the commercial restrictions that were unwisely inserted in 1960.

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FRI, DEC 13

Ten Bold Steps Not Taken in Energy Reform

File 1000013
Pages 2
Charts 0

The report items ten measures that that were not taken by the current administration and congress in Mexico to address issues of energy reform. A bold step, for example, would have been to launch an Initial Public Offering (IPO) for a Pemex 2.0, a mixed capital company that would be majority-owned with unrestricted shares in the NYSE. Another bold measure would have been to have removed the secretary of energy from the boards of Pemex and CFE on the grounds of an inherent conflict of interest.

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MON, DEC 16

The Arguments Against Energy Reform: Preview of the Senate Minority Report

File 1000014
Pages 5
Charts 2

This report introduces the topics of concern to senators like Manuel Bartlett and Armando Ríos Piter, who did not support the reform bill that was submitted by the administration of Enrique Peña Nieto. We have given a preliminary examination of a 70-page report that specifies the basis for the dissenting votes. Table 1 is a list of topics and specific concerns, to which we have added an English translation. Exhibit A is the Indice de Fundamentos Generales.

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TUE, DEC 17

Bold measures in Energy Reform for Natural Gas: Bullet Points

File 1000015
Pages 1
Charts 1

The text of the 2013 energy reform gave scant attention to natural gas, despite the central role that natural gas is to play in electric power generation, manufacturing and the upgrading of urban life styles to residential pipeline service. Focus needs to be on the full natural gas value chain, not only on the policy and commercial mechanics of increasing gas production. With this perspective in mind, we identify six government agencies whose responsibilities touch on the gas value chain; and we suggest action items for each agency. We also suggest strategic considerations for MSC operators in Mexico.

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WED, DEC 18

NAFTA AT 20: Reminiscences and speculations

File **1000016**
Pages 4
Charts 0
Updated 8/20/2017

NAFTA is a story of mixed success, of pluses and minuses. There is a temptation to depict the successes of NAFTA in terms of trade statistics. It turns out, however, that U.S. and Mexican trade statistics do not take into account intra-firm commerce. In 1991, Mexico changed its national chart of accounts to include what, previously, had been "border transactions"; making trade statistics of little help in trying to gauge the success of NAFTA. The negotiators failed to achieve an oil reform, and Pemex jinxed foreign investment in the gas market by means of a tariff on imports.

55

THU, DEC 19

Indicators of a False Positive: How the 2013 energy reform may not meet stakeholder expectations

File **1000017**
Pages 1
Charts 1
Updated 12/20/2013

The terms "false positive" and "false negative" are known to the public from articles about breast and prostate cancer: a false positive is an erroneous sign that cancer has been found; a false negative is an erroneous sign that the patient is free of the disease. Applying these terms to Mexico's energy reform, all eyes are presently three or four steps ahead of reality: The next step is legislation, the step after that is the creation and staffing of four institutions. Then comes the commercial framework and public tenders. At last, new investments.

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THU, DEC 26

Houston Critique of the Articles of Energy Reform

File **1000018**
Pages 2
Charts 5

What, in the formal language of the Mexican Senate, was a discussion of "diverse constitutional dispositions relating to energy," for observers in industry, policy and academia it was a discussion of the most significant restructuring of the energy sector since the Oil Law of 1958 and the constitutional amendments of 1960. The restructuring on the oil side is easier to understand than are plans for the electric sector. Overturning the precepts of Art. 6 of the 1958 law, the government proposes a new framework for the oil sector in which both Pemex and IOCs have E&P contracts with the State.

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FRI, DEC 27

Mexico's 2013 Energy Reform: An Appraisal

File **1000019**
Pages 2
Charts 0

In this report we take note of the big ideas of market discipline and public oversight that were embraced in the Mexico's 2013 Energy Reform. In parallel, we identify those big ideas that, so far, have not found traction in Mexico. We find some of these ideas in the proverbial cup that is "half-full," and we see others in the cup that is "half-empty." On balance, we conclude that thanks to the energy reform, the cup of energy policy in Mexico is much more than half-way full.

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SUN, DEC 29

A Dozen Impressions of Energy Reform in Mexico

File **122913**
Pages 48
Charts 2

This report is the compilation of a dozen Market Comments on aspects of energy reform in Mexico that were published in November-December 2013.

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TUE, DEC 31

U.S.-Mexico Transboundary Hydrocarbon Agreement (Part V)

File 1
Pages 9
Charts 0
Updated 1/4/2014

The Mexican senate ratified this agreement on April 12, 2012; but it would not be until Dec. 23, 2013, that the agreement would be signed into U.S. law. This report asks about the consequences for the implementation of this agreement in a scenario in which Pemex retains E&P rights in the Mexican Perdido. The report asks if the CNH will support Pemex's eventual request to retain this area, in the light of the two discoveries in this area. Grounds for doubting Pemex's readiness would rest mainly on the uncertain qualifications of its contractor for ultra-deepwater drilling,

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