

ANNUAL CATALOG

MEXICO'S ENERGY SECTOR Commercial and Policy Outlook Reports

2017

FRI, JAN 6

Espada y Escudo del Periodismo

File **010617**
Pages 1
Charts

Published in MILENIO in the column "La Energía de Baker," this asks about a seldom-discussed aspect of journalism in Mexico: its use as a political instrument against opponents and competitors. The usual treatment of journalists and journalism in Mexico gives emphasis to the risk that journalists bear. The column criticizes an ad hominem article about Lourdes Melgar, who was the undersecretary for hydrocarbons. In this light, the public needs protection from journalists as do they from criminals and corrupt politicians.

1

MON, JAN 16

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 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 prices increases cannot be determined. Officials chose to ignore the imminent installation of a U.S. administration whose policies may be hostile to Mexico.

2

MON, JAN 30

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 upstream regime to follow this one.

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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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WED, FEB 8

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 report provides 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 English, Table 7 Bilingual with notes.

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THU, FEB 16

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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TUE, FEB 28

Bilingual Glossary of Fuel Quality Standards in Mexico

File **836**
Pages 28
Charts 4
Updated 6/27/2017

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. The regulations were modified on June 26, 2017, modifying the definitions of several terms.

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WED, MAR 8

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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TUE, MAR 21

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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MON, MAR 27

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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FRI, MAR 31

Comparing the price spread of Mexico's gasoline grades

File **843**
Pages 2
Charts 1

This report compares the national average of maximum prices in Mexico for regular and high-test gasoline with the prices of comparable gasoline grades in the U.S. Table 1 shows that 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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WED, APR 5

Toward an inventory of Mexico's oil and gas reserves

File **10040**
Pages 32
Charts 1

This report takes a preliminary step toward an inventory of Mexico's oil and gas fields by reordering, by state and federal waters, the straight alphabetical list of field names as provided 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.

11

TUE, APR 18

Inquietudes relacionadas con el mercado de combustibles en México

File **10041**
Pages 6
Charts 0

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

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SUN, APR 30

Outlook for Gasoline Pricing in Mexico

File **10042**
Pages 12
Charts 3
Updated 12/13/2017

This report draws on an industry conference held in Houston on April 25-26, 2017, that was organized by Oil Price Information Service (OPIS), a unit of IHS. Speakers at the conference 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.

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TUE, MAY 9

OTC week 2017: Commerce vs. Culture

File **845**
Pages 9
Charts 2

This report builds on the presentations of speakers at the opening reception on May 3, 2017, at the Williams Tower of historic photos of the oil industry in Tampico that date from the 1920's and '30s. The exhibit was organized by curator Marco Bracamontes. Sponsors of the event who were present for the reception included BHP Billitin, Marcos y Asociados and Rodríguez Dávalos y Asociados. The report asks about how culture and history can get misaligned with today's business models. A case in point is the prohibition in Mexico of the commercial figure of an oil concession, the roots of which may be traced, not to economics, but to political conflicts of the 1920s.

14

WED, MAY 17

Will Mexico drive a deep-water renaissance?

File **846**
Pages 12
Charts 0

This report draws its title and focus from the panel presentations and discussions on May 4, 2017, at the Offshore Technology Conference (OTC) in Houston. The report draws on other presentations in Houston during the week of May 1. During the panel discussion, speakers emphasized the need to increase drilling activity to an annual average of 20 wildcat wells. For that level of sustained activity, speakers offered suggestions regarding improvement in Mexico's "business platform." Speakers faulted the Finance Ministry for giving greater weight to "additional royalty" as a biddable variable than to work program, noting that the formula resulted in awards to companies that would drill 8 fewer wells than their competitors had offered.

15

FRI, MAY 19

Eliseo Mendoza Berrueto

File **1000087**
Pages 2
Charts

This report comments on the presentation at the Baker Institute at Rice University of a former deputy secretary in the Energy Ministry of his recently published book on the histories of Mexico and the United States. Mexico's Rule of Omertà (Silence) was on full display in Mr. Mendoza's remarks. In his long career in government service, it is likely that there were inflection points in public policy at which he was a stakeholder or observer; but, as to be expected from Mexican politicians, his memories of such moments would not become part of the public record.

16

WED, MAY 24

Why Mexico needs a 2nd national oil company

File **10046**
Pages 19
Charts 2

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.

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THU, MAY 25

Bilingual glossary of owners, assets and asset transfers

File **847**
Pages 13
Charts 2

This glossary includes three dozen terms associated with the attributes of the legal figure of State Productive Enterprise, loosely associated with leaseholders, leases, contract areas and asset transfers. The first sort of the selected terms is by their English translation, showing also the original Spanish. The second sort is by the term in Spanish, showing its translation as well as its documentary source (and place), and the original text and English translation of the official definition.

18

MON, JUN 5

Mexico's energy reform in the deep water: Cautionary notes

File **060517**
Pages 2
Charts 0

This article, published in *Oil & Gas Journal* (June 5, 2017), reports on the panel discussion of deep-water opportunities in Mexico. In a question to the panel, the author called attention to the market distortion caused by Pemex continuing to operate as a government agency.

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TUE, JUN 13

Interview with Víctor Rodríguez-Padilla

File **061317**
Pages 12
Charts 0

Parallel to his career on the engineering faculty of Mexico's National University, Dr. Rodríguez-Padilla has served as an energy policy advisor in the Mexican congress. In this interview, which grew out of an essay published in *Energía Hoy* (February 2017), he comments on changes that will take place in oil policy when (he predicts) a party of the Left wins the presidency in 2018. Much of the energy reform of the current administration on the oil side will be suspended, he believes, and there will be consequences for public officials who were responsible for its design and execution.

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TUE, JUN 20

Self-censorship in Mexico

File **850**
Pages 14
Charts 0

This report was prompted by the story that was published on June 19, 2017, in *The New York Times* about the suspicious spyware found on the cellphones of journalists and human-rights workers in Mexico. One of the journalists mentioned was Carmen Aristégui, who has been mentioned in prior reports on the state of investigative journalism in Mexico, three of which are appended. The report notes that the principle of loyalty in Mexican culture can extend to loyalty to the oil regime, indirect evidence of which is the absence of a revisionist history of the Oil Expropriation in which Lázaro Cárdenas would be seen as an opportunist who failed to realize that "national oil industry" is an oxymoron.

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THU, JUL 6

Economic Impact of CNH Lease Auctions

File **10047**
Pages 21
Charts 8

This report raises questions about the auctions taking place under the banner of the Energy Reform of 2013-14. Our argument is that the if the government expects the energy reforms to continue beyond 2018--not only in oil E&P but also in the electricity and natural gas markets--there has to be a much bigger effort to show what the actual results have been. CNH has done a good job of uploaded documents to its website regarding the bid rounds; but the raw documents are not enough. There also must be a narrative as to what has happened since the awards. That story has not been told.

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FRI, JUL 7

Energy Topics for NAFTA Renegotiation

File **10048**
Pages 5
Charts 1

This report provides a list of 16 topics in the oil and power sectors that, hypothetically, could become matters of negotiation regarding NAFTA. The topics are in two categories: 1) Unequal treatment before the law and 2) Unfair restriction of economic opportunity. In the first group is the status of Pemex and CFE as government agencies which confers advantages not available others. In the 2nd group is the absence of the standard legal figure of farmout, which allows a leaseholder to divide his lease horizontally or vertically to seek maximum recovery and economic benefit. For each topic, a remedy is proposed.

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FRI, JUL 14

Mexico's Long-Term Power Auction SLP-1 / 2017

File **848**
Pages 42
Charts 6

This report provides a bilingual glossary of the terms that are found in the documentation of the third long-term power auction that is administered by Mexico's National Grid Operator (CENACE). The auction features a Clearing House that will be the commercial hub of contracts between buyers and sellers. The Commercial Operations Date is Jan. 1, 2020. Table 1 provides translations of about 90 terms, sorted in Spanish; Table 2 sorts these same terms by their English translations. Table 3 provides both the terms and their definitions, plus references to the documentary sources of the term. Table 4 is a list of about 30 acronyms, each with the Spanish text and English translation.

24

MON, JUL 31

Mexico's upstream reforms since 1917

File **851**
Pages 14
Charts 2
Updated 8/2/2017

This report reviews the inflection points in upstream policy in Mexico, with attention to policy innovations in the petroleum laws of 1925 to 1958. The 1958 law lasted more than 50 years; it required that all contracts go through Pemex except that payment could not be made in kind or as a percentage. The administrations of the period 2000-12 tried three work-arounds of the law, but with slight success. The Hydrocarbon Act of 2014 abrogated the 1958 law. The new regime will also prove unsustainable, however, as it failed to reinvent Pemex as a mixed-equity, state majority oil company.

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THU, AUG 10

Overcoming the American accent in Spanish

File **100110.2**
Pages 15
Charts 4
Updated 5/24/2019

This report is a major "workover" (in drilling terms) of a report issued in 2012. The arrival in Mexico of upwards of 50 operators from around the world since 2015 created a new need for bilingual skills in Spanish. The report focuses on identifying and correcting the errors of misplaced expectations arising from linguistic habits of one's native language have a place in Spanish pronunciation. Table A introduces symbols of the International Phonetic Alphabet that let us distinguish between sounds in different languages that is represented by the same letter; an example is the letter 'r' which refers to two consonants sounds (phonemes) in Spanish that are not found in English or French. Tips are given for better listening.

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TUE, AUG 29

Midstream issues in NAFTA negotiations

File **852**
Pages 13
Charts 1

This report offers "Talking Points" for U.S. and Canadian trade representatives who are in the current round of NAFTA negotiations. The principal concern that needs to be voiced is the lack of market access to Mexico's motor fuel market by U.S. and Canadian exporters. While there are miscellaneous border deliveries by truck to cities on the U.S.-Mexico border, access to the principal cities of Mexico is controlled by the duopoly of Pemex Logística and PMI Comercio Internacional (PMI), its trading affiliate. Measures need to be taken against predatory pricing inside Mexico of LPG and motor fuel.

27

TUE, SEP 5

Outlook for Diesel Imports

File **853**
Pages 18
Charts 10

This report examines the list of more than 300 diesel import permits that had been issued by Mexico's Energy Ministry (SENER) as of Aug. 14, 2017. The is published by date of the permit, not alphabetically by company (Table 3) or by volume (Table 4). Pemex data for diesel production and imports since 2012 suggest that imports could rise to 350,000 b/d by 2024, an increase of 2/3rds from mid-2017. The report asks if the many companies with permits actually intend to compete with Pemex and PMI.

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MON, SEP 18

Statistical analysis of gasoline import permits

File **854**
Pages 7
Charts 10

This report provides a statistical analysis of the gasoline import permits that were issued by the Energy Ministry (SENER) as of August 14, 2017. Each of some 223 import permits is ranked according to its authorized volume. The distribution of the data is skewed positively, meaning that it has a (very) long right tail. The bottom-ranked 150 permits account for not quite 25% of the total authorized volume (1,975 MM barrels). A comparison of the top-ranked 50 import permits in the datasets for Aug. 14 and Sept. 5 showed a decline of 79 MM barrels, 50 from one expired permit.

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THU, SEP 28

Outlook for gasoline imports

File **855**
Pages 21
Charts 13

This report is another in our data-mining series on gasoline and diesel pricing and import permits. This report identifies the top international companies with gasoline import permits, ranking them by the authorized volume of their import permits. Fig. 10 identifies and ranks, in order descending volume, companies with both an import permit (SENER) and a wholesales permit (CRE). The report describes the many challenges faced by prospective importers of gasoline and diesel, chief among which is the hegemonic position of Pemex/PMI in the market.

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MON, OCT 2

Inventory of gasoline import permits

File **856**
Pages 31
Charts 10

This report provides a list of the gasoline import permits that were issued by Mexico's Energy Ministry on August 14 and September 11. Whereas the Ministry's list is ordered by the effective date of the permit and the authorized volume in liters, in this report we provide 1) an alphabetical list of permit-holders and 2) a list of permit-holders ranked by the volume of their respective permits in descending order (adding the equivalent in millions of barrels). Having access to the data in these ways allows for easy reference to the names of individual companies. Seeing the permits ordered by volume may lead to insights about prospective competitors and customers.

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FRI, OCT 27

Unitization guidelines for public comment

File **858**
Pages 23
Charts 4
Updated 11/22/2017

This report provides a bilingual glossary of defined terms and their definitions of the Guidelines for Unitization Agreements, as issued by Mexico's Regulatory Review Commission (COFEMER) on October 12. Table 1 sorts the terms in Spanish, Table 2 in English and Table 3 sorts the terms and definitions by the Spanish. In subsequent reports, we shall discuss the comments and criticism that the guidelines have provoked. Annex A contains our comments that were posted on the COFEMER web portal on October 24.

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THU, NOV 23

Unitization & the Rule of Capture in Mexico

File **10049**
Pages 15
Charts 3
Updated 7/18/2020

This report comment's on the Regulatory Impact Statement prepared by the Energy Ministry and posted (with three annexes) on the web portal of the Regulatory Impact Commission (COFEMER) on October 12, 2017. The report considers several elements that come into play in relation to a decision to unitize a portion of the leases of the parties. The Ministry presumes to impose terms on the parties but without being able to assess commerciality or risk. We propose that the Commission reopen the period for public comment stakeholders may better understand the Ministry's vision of the figure of unitization in Mexico.

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SUN, NOV 26

Unitization regulations: Regulatory Impact Statement

File **859**
Pages 38
Charts 1

This report provides a formatted, bilingual translation of the Regulatory Impact Statement that was prepared by Mexico's Energy Ministry for review by the Regulatory Impact Commission (COFEMER). The original text is unformatted (<http://cofemersimir.gob.mx/mirs/43548>). The purpose of the regulations is explained as wanting to eliminate the "Rule of Capture" from Mexico. The Impact Statement was issued with three annexes, two of them in Excel. In Annex II, of some 1,400 blocks, nearly 500 are marked as suitable for unitization. This large number suggests that the Ministry is conceiving of unitization as a distinct development strategy.

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FRI, DEC 1

Mexican Presidents and Oil

File **144.1**
Pages 9
Charts 0

It does not serve Pemex or Mexico's national interest to have the President of Mexico continually involved in the Pemex news cycle (as in announcing a major oil discovery). It is observed that the Transboundary Hydrocarbon Agreement of 2012 could not be implemented under present constitutional and legal restrictions, as a cross-border reservoir would require Pemex to have a partner and share equity, neither of which would be possible under the Petroleum Law of 1958, which was then in force. The Energy Reform of 2013-15 corrected this situation by abrogating the 1958 law and by returning to the oil regime of 1940, which had allowed direct contracts with private oil companies.

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THU, DEC 7

Oil policy agenda of López Obrador's MORENA party

File **860**
Pages 14
Charts 1
Updated 6/1/2018

This report comments on the 10 strategic initiatives that were proposed by the political party MORENA, whose candidate in the 2018 presidential elections in Andrés Manuel López Obrador. MORENA is the only party to have a developed energy plan, the goals of which include reducing Mexico's energy dependence and to restoring Pemex to its earlier rank of prestige and importance in the Mexican economy. The original text of the proposals (in Spanish) is appended.

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WED, DEC 13

Outlook for gasoline pricing in Mexico (Rev. 1)

File **10042.1**
Pages 11
Charts 3

This update adds a summary and incorporates material from presentations and discussions at the workshop presented by the Energy Regulatory Commission at the University of Houston's Law Center on December 6, 2017. The report notes that while laws advocate free markets and competition, much from the ancien régime continues that keeps Pemex and PMI, its trading affiliate, in control.

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THU, DEC 21

Social costs of LPG service

File **861**
Pages 10
Charts 1
Updated 12/25/2017

This report republishes (for the second time) our 2005 study of the social costs of LPG compared to those of natural gas. Our basic finding is that the full-cycle economics of natural gas, including social costs and benefits, make natural gas much more competitive than LPG, regardless of price. The earlier report is here introduced with a new summary and new conclusions regarding the policy measures that would be needed to be taken to progressively eliminate the economic distortions caused by LPG service in urban areas where natural gas as an alternative energy source is available.

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TUE, DEC 26

Scorecard of Mexico's Energy Reform

File **862**
Pages 9
Charts 1
Updated 1/3/2018

This report is a baseball scorecard of Mexico's energy reform since 2013. We record 4 home runs, 13 base hits, 3 fouls and 5 strikeouts (Table 1). The largest scores are for unforced errors (21) and items in the dugout that are not in public view or discussion (14). For each baseball score category, items are listed by industry segment: upstream, midstream and downstream.

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WED, DEC 27

Mexico's 2013 Energy Reform: An Appraisal

File **1000019.1**
Pages 9
Charts 0

In this report, we reprint an earlier one that was published just a week after the constitutional reforms had been promulgated, and add to it an assessment of the successes and expectations regarding the reforms as of year-end 2017. In the original report, we took note of the big ideas of market discipline and public oversight that were embraced in the Mexico's 2013 Energy Reform. In parallel, we identified big ideas that, so far, had not found traction in Mexico. These ideas can be sorted by reference to the cup that is seen as "half-full," and the other that is regarded as "half-empty." In 2013, on balance we saw the cup of energy policy in Mexico as more than half-way full. In 2017, a general statement is not possible.

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