

ANNUAL CATALOG

MEXICO'S ENERGY SECTOR Commercial and Policy Outlook Reports

2019

FRI, JAN 11

Assessing Energy Regulators in Mexico: An update from OECD

File **886**
Pages 10
Charts 2

In mid-December 2018, a performance review was issued by the Organization for Economic Cooperation and Development (OECD) of three energy regulators in Mexico: National Hydrocarbon Commission (CNH), Energy Regulatory Commission (CRE) and Hydrocarbon Safety Agency (ASEA). Researchers reviewed the efforts of the three regulators to devise protocols for cooperation and to simplify and clarify the regulatory framework. A website (ODAC) is available to guide investors of the permitting paths in each of six market segments. In our report, we observe that the ministries of finance, energy and economy have de facto regulatory attributes that are not taken into account in the OECD study.

1

MON, JAN 21

Mexico in OTC 2019: Work in progress

File **100233**
Pages 9
Charts 1
Updated 2/7/2019

This report provides a preview of the panel on Mexico that will be held at the Offshore Technology Conference (OTC). The 3-hour panel is tentatively scheduled for Tuesday, May 7. The first segment will provide oil companies with leases in Mexico the opportunity to share ideas about how to move product beyond the wellhead. The second segment will be from Mexico's midstream regulator and service companies who would provide the rules, technology and muscle to make it happen. At the end of each segment, there will be an audience survey of perceptions, concerns and expectations regarding the challenges and opportunities ahead. Audience responses will be saved for a post-conference report.

2

FRI, JAN 25

President López Obrador: Social Scientist

File **100234**
Pages 1
Charts 0

On December 1, 2018, in his inaugural address, President Andrés Manuel López Obrador took on the roles of historian, economist, political scientist and sociologist. He named the previous 37 years of public administration the "Neoliberal Era." He blamed the current socioeconomic crisis on the combined factors of the application of the neoliberal model and endemic corruption. In this report, we ask about the datasets that could support these conclusions.

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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, JAN 30

Missteps in Mexican Public Administration, 1940-1982: Reassessing Antonio Ortiz Mena

File 100235
Pages 7
Charts 1

In his inaugural address on Dec. 1, 2018, President López Obrador reviewed the economic history of Mexico, noting that from the 1930s through the 1970s Mexico's economy grew 5%- 6% annually, while, during the 36 years after 1982, the economy slowed to a 2% annual growth. In this report, we offer a critique of public administration in the prior period from 1940-1982. Table 1, lists missteps in public administration left Mexico unprepared for the globalization of commerce that began in the 1980s and that would see China replace Mexico as the global manufacturing platform of choice.

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TUE, FEB 5

Anti-Corruption in Latin America: Anti-corruption zeitgeist prompts shake-up in Pemex E&P

File 100236
Pages 13
Charts 0

This report draws on a half-day conference that was held at Rice University's Baker Institute on January 31, 2019, and which featured speakers from the U.S., Brazil, Guatemala and Mexico. The topic concerned the political arts and science of anti-corruption in Latin America. The consensus among panelists was that only by strengthening judicial and political institutions can corruption of either the political or financial kind be contained. The report goes on to examine the case of the "Master Scam" in Pemex, news of which was breaking while the conference itself was taking place.

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TUE, FEB 12

MORENA reimagines PEMEX: Bill submitted to Congress to realign responsibilities

File 100238
Pages 9
Charts 1

This report was prompted by the notice taken by two NGO's in Mexico (México Evalúa and Ombudsman Energía México). The NGOs expressed alarm that, if approved, the amendments to the Pemex Law would concentrate authority in the office of the Director General. We examined the proposed amendments and discerned that some should be seen as positive, while others as worse than negative (Table 1). We observe that giving the DG more authority without financial autonomy means little; for there can be no true leadership unless the leader controls the resources to fulfill his or her vision.

6

FRI, FEB 22

Anticorruption in Mexican Law and History: An Introduction

File 10057
Pages 17
Charts 4

This report is the third in a series on anticorruption in Mexico and Latin America. It introduces the legal and institutional frameworks that are designed to combat corruption in Mexico's civil service. Attention is given to the Congressional Auditor's Office (ASF), the Ministry of Public Service (SFP) and the Finance Ministry's Financial Intelligence Unit (UIF). The theme of anticorruption is cyclical in presidential administrations. We note the parallels between the current anticorruption campaign and that of the early 1980s. We express concern about the mixing of law, politics and anticorruption.

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TUE, FEB 26

Scope and Focus of Anticorruption in Mexico: A narrower scope than the public believes

File **889**
Pages 7
Charts 5

The anti-corruption campaign in Mexico has been designed to suit the sensibilities of those opposed to, or skeptical of, the neoliberal regime. This report offers an analysis of the scope, focus and limitations of the anti-corruption campaign. We see the scope restricted to white-collar civil servants. The choice of beginning the campaign by targeting senior professionals in Pemex and CRE is driven by ideological considerations and publicity expectations.

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WED, MAR 6

Two Decades of Anticorruption in Mexico, 1998-2018

File **10058**
Pages 17
Charts 4

This report examines the record during 1998-2018 of efforts directed to combat corruption and increase accountability and transparency. Table 1 lists the titles of these measures in chronological order. Table 2 sorts the titles by legal class (treaties, constitutional amendments, laws and institutional dispositions). Table 3 is a list of common abbreviations of the titles of laws. Annex A is a useful list of hyperlinked titles of *reglamentos* that was prepared by Pemex.

9

TUE, MAR 12

Mexican Presidents and Oil: Patterns of politically unhealthy behavior

File **100144.1**
Pages 10
Charts 0
Updated 4/11/2020

This report, first issued on October 9, 2012, offers a critique of the traditional behavior of Mexican presidents to insert themselves into the Pemex news cycle. The report offers a list of positive actions that the president could take other than by appearing and speaking in public about Pemex and oil policy. The report is updated with observations about the current president.

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WED, MAR 20

Unitization as Policy, Stratagem or Happenstance: Area 7 of CNH Round 1.1

File **882.2**
Pages 15
Charts 2

In this updated report, we ask about how did it happen that the eastern boundary of Area 7 of CNH Bid Round 1.1 left a significant portion of a reservoir on Pemex's side, triggering negotiations for unitization. The reservoir that was discovered by Talos Energy and partners will be shared with Pemex, which will receive as much as US\$20 billion at little risk and cost. Absent a grid system and public rules as to the configuration of present and future Contract Areas, all CNH contractors are at risk of having to share their discoveries with Pemex or another contractor. This report is updated with information provided by the Energy Ministry (SENER) in a meeting of Dec. 4, 2018, as well as from insights from industry sources.

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MON, MAR 25

Glimpses of Mexico's Iconic Figures: Luis Donaldo Colosio

File **1000063.1**
Pages 2
Charts 0

The public space in Mexico rewards some iconic figures while it ignores others. Some of these figures are associated with Mexico's oil industry: Lázaro Cárdenas, is memorialized in statues and in prominent street names, while Lord Cowdray's memory is in the name of the ABC Hospital. Cárdenas and Luis Donaldo Colosio both have monuments in the style of giant Olmec heads. This report from 2015 tells an anecdote about Colosio in 1991 about how freedom of the press was monitored by the PRI. Included are two photographs taken at the place of Colosio's assassination in Tijuana on March 23, 1994. The 25th anniversary of his assassination in 2019 provoked a call to reopen the criminal file and to review the case against the presumed assassin.

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TUE, APR 2

The Neoliberal Directors General of Pemex: Did they tolerate corruption and impunity?

File **890**
Pages 14
Charts 3

This report reviews the profiles of the directors general of Pemex during the period of 1981-2018, noting the graduate academic training of each (Table 1). Mostly, economists and engineers occupied the position of director general. We comment on two of economists, Adrián Lajous and Jesús Reyes Heróles, and on two engineers, Raúl Muñoz and Luis Ramírez Corzo. No director general had the profile of a CEO of an oil company the size of Pemex. Absent such experience, coupled with severe restrictions on their managerial freedom and authority, limited their ability to contain or punish corruption.

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WED, APR 3

Oil Missteps in Mexico, 1982-2018: Narrative, Law, Technology, Management, Recruitment

File **891**
Pages 17
Charts 2

The period of 1982-2018 has been characterized by President Andrés Manuel López Obrador as one during which corruption was rampant and structural reforms were imported from abroad that damaged Mexico's energy sovereignty. Evidence cited is the deterioration in the capacity and performance of Pemex in all its business lines. This report examines the 36-year period, asking where there were mistakes in law, policy, technology and executive recruitment. We ask if corruption can be treated as an independent variable to explain performance in Pemex.

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FRI, APR 19

Mexico's Natural Gas Project, 1982-2018: Work in Progress

File **887**
Pages 16
Charts 1

This report retraces highlights of the 25-year project to create a natural gas market in Mexico that began in the early 1990s. The report focuses on the challenges, setbacks and accomplishments of commissioners and technical staff at the Energy Regulatory Commission (CRE). The features of the natural gas market in Mexico in 1982 are contrasted with the features of 2018 (Table 1). The report concludes that under CRE leadership, significant progress was made to lead Mexico from a Pemex sole-source regime to one with multiple economic actors along the entire value chain.

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MON, MAY 13

Mexico in OTC 2019: Highlights and insights from the midstream panel discussion

File **100233.4**
Pages 22
Charts 4

This report adds the 4th update to the original report issued on January 21, 2019, regarding the preparation for a panel discussion of the midstream challenges facing private operators with leases in Mexico. The panel composition seemed to stabilize by mid-March, but in late April there were other changes. The plans for early production by some private operators are at risk owing to the inability of the parties to agree on the shared use of Pemex infrastructure. Update #4 provides highlights of the presentations by panelists on May 7.

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TUE, MAY 14

Mexico's Midstream Panel at OTC 2019: Unexpected bottlenecks cloud outlook

File **895**
Pages 10
Charts 2

This report provides highlights of panelist presentations at the Mexico country session of the 2019 Offshore Technology Conference. The session was structured in two segments: Operators and Service companies (plus the midstream regulator). Speakers from Pemex, BP, Murphy Oil and Fieldwood voiced ideas and concerns about midstream options. In the second segment, panelists were from CRE, Williams, Kiewit, Blue Marine and HWCG. Pemex has ample spare capacity at gas processing plants onshore, but contracts for the shared use of offshore infrastructure have yet to be written.

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WED, MAY 29

President López Obrador at Six Months: Reinventing the Office of the President of Mexico

File **897**
Pages 16
Charts 6
Updated 6/5/2019

This report addresses two questions: During the first 6 months of the López Obrador term, how has the national interest been served? In parallel, is the Mexico risk premium overpriced or underpriced in the energy sector? Table 1 lists 13 unforced errors, that is, errors that were not forced on the president by opponents or circumstances. We observe that there is an opportunity cost in the president's dedicating 10 or more hours a week to press briefings: the time is taken away from other presidential responsibilities, such as visiting foreign leaders and holding the national flag high in international gatherings.

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FRI, MAY 31

Getting oil and gas to market: OTC audience perceptions about Mexico's midstream outlook

File **10059**
Pages 9
Charts 2
Updated 6/4/2019

This report draws on issues that were raised at the panel on Mexico's midstream that was held at the Offshore Technology Conference (OTC) on May 7, 2019. The panel was structured into two segments: operators and service companies. At the end of each segment, a series of survey questions were posed for audience scoring. The questions were about unresolved issues of commerce, public policy and regulation. Table 1 groups the audience responses as guidance for government authorities, Pemex and regulators. Annex A is the list of scores for each of the questions.

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TUE, JUN 4

Resignation of Guillermo García Alcocer: Last Eagle Scout of the Energy Reform

File **898**
Pages 5
Charts 1
Updated 11/12/2020

This report provides an English translation of the Open Letter of Guillermo García Alcocer, the president-commissioner of Mexico's Energy Regulatory Commission (CRE). The letter was published on the CRE's website on June 3. The translation includes callouts not provided in the original Spanish.

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MON, JUN 24

Advancing English Proficiency: What is possible in 75 minutes?

File **100219.1**
Pages 6
Charts 3

This report was originally prepared in 2016 in advance of a 75-minute workshop to be given at the Mexican consulate in Houston. The event was attended by about a dozen people, including the consul-general. The report covers basic concepts and vocabulary in linguistics that are needed for the mind to understand what to listen for in gaining English proficiency. For example, English speakers say "stop" and "state," not /es-top/ and /es-tate/, which is the common pronunciation among Spanish speakers. The appended title list of report on English proficiency goes back to the year 2002.

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SUN, JUL 7

LOPEZ OBRADOR - Paradigm-shifter

File **10060**
Pages 19
Charts 3

This report asks about the proposal of President Andrés Manuel López Obrador to hold a midterm referendum on his performance as president. By the authority of a constitutional amendment of Article 35 (still not approved), a Citizen Consultation could be held to vote on the revocation of the the remaining time in office of the president, state governors and the mayor of Mexico City. This proposal has been harshly criticized by lawmakers from PRI, PAN and PRD on March 14, 2019, for its potential abuse. In the air, but not discussed openly, is the dubious contribution of the century-old prohibition of the reelection of the president.

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TUE, JUL 16

Gaining proficiency in spoken English: Action items for native speakers of Spanish

File **1000094**
Pages 1
Charts 4

Market efficiency in Mexico's energy sector is strengthened by advances in bilingual proficiency of Mexican and international professionals. We periodically issue reports that offer technical tips for native speakers of English or Spanish. This report lists the essential points of difference between English and Spanish to which the non-native speaker must pay attention to gain proficiency in spoken English. Appended is a title list of prior reports. [This report was previously issued as Market Note 239.]

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THU, JUL 25

Pemex's Safety and Environmental Management System: How robust?

File **899**
Pages 14
Charts 10
Updated 7/30/2019

The robustness of Pemex's safety regime is important not only to employees but also to contractors, farmout partners, regulators and communities. This report examines Pemex's safety and environmental management system that is known as PEMEX - SSPA. The system provides training and a code of conduct for both employees and contractors. Unlike the regular reports that are issued monthly for production and commerce, however, safety statistics are issued irregularly and inconsistently. Update 1 incorporates safety data from Pemex's business plan for 2019-23.

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THU, AUG 15

Exploration Geology of Mexico's Southeastern Basin: Interview with Victor H. Abadie III

File **901**
Pages 25
Charts 5
Updated 7/20/2020

In the spring of 2014, geologist Vic Abadie was tasked as a consultant to Pemex's Exploration Department to review and evaluate exploration prospects in two areas in the Southeast Basin: Chalabil and Comalcalco. His advice was useful to Pemex in evaluating which prospects and blocks to keep in Round Zero, which would take place in August. His unique experience led to a lengthy, technical interview about he petroleum geology of the Southeast Basin from an explorationist perspective.

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WED, AUG 28

Juniors in Mexico's Energy Sector: Are They Quick Learners?

File **100060.1**
Pages 10
Charts 2

This updated report, originally issued on December 21, 2019, examines a common practice of the so-called neoliberal presidential administrations in Mexico of appointing young professionals to high positions in the public energy sector (especially those with academic degrees from American or European universities) whose background did not include industry or regulatory qualifications. With a few high-profile exceptions, such appointments are not being made in the presidency of Andrés Manuel López Obrador.

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FRI, SEP 13

AMLO: The Energy Reform was a failure: What is the counter-narrative?

File 10061
Pages 15
Charts 0

Among his remarks in his morning press briefing on September 9, President Andrés Manuel López Obrador (AMLO) flatly stated that "the Energy Reform was a complete failure." Whatever may be said in support of the energy reforms of 2008 and 2013-14, they failed to withstand the scrutiny of the first Cárdenas-inspired administration to come power. The reforms and their authors failed to win the public respect of the new government. This report also discerns that the energy reform was a failure, but for reasons other than the ones aduced.

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MON, SEP 16

Assessing Pemex's Business Plan: Jesús Reyes Heróles at the Baker Institute

File 100239
Pages 6
Charts 0

At a lecture at Rice University's Baker Institute, Jesús Reyes Heróles, a former secretary of energy and director-general of Pemex, offered a critique of Pemex's business plan for 2019-23. On account of his degree in economics (MIT) and his having occupied during his career most of the prestigious positions in the federal government related to finance, diplomacy and energy, he is the archetype of the neoliberal generation that has been the object of harsh criticism, even ridicule, by President Andrés Manuel López Obrador. The platform at the Baker Institute offered Dr. Reyes Heróles to defend the accomplishments of his generation.

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THU, OCT 3

Mexican Controversy over PMI: The coming shock to Pemex's Maya crude export market

File 10024.1
Pages 10
Charts 1

This report take note of two parallel topics of concern: 1) As of January 1, 2020, by a rule of the International Maritime Association, the fuel of commercial vessels will be limited to a 0.5% sulfur content and 2) in late September 2019 there was a management reshuffling in PMI Comercio Internacional, Pemex's trading affiliate. The experienced team was replaced by persons without a background in crude oil marketing. Dr. Ulises Hernández, who had been serving as the interim director of Pemex E&P, was transferred to PMI.

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MON, OCT 7

How BSEE can promote One-Gulf Safety: Go bilingual on website and cellphone apps

File 100240
Pages 8
Charts 1

Toward the end of promoting an offshore safety awareness in the oil industry that transcends languages barriers in the Gulf of Mexico, a simple and low-cost measure would be for the U.S. Bureau of Safety Enforcement and Environmental Enforcement (BSEE) to issue its safety bulletins in a bilingual edition with a Spanish translation. A second measure would be to create a cellphone app that would allow the user to receive safety alerts in the language of choice. This report was submitted to the Office of the Director of BSEE, and a response is pending.

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MON, NOV 4

Safety Profile of Oil E&P in Mexico: Meeting IADC, IOGP and COS Benchmarks

File **900**
Pages 24
Charts 15
Updated 11/13/2020

The institutional reforms and engineering enhancements that were undertaken in the United States in the name of safety following the Macondo accident of 2010 did not include the goal of improving offshore in the entire Gulf of Mexico, to include Mexican and Cuban waters. This report identifies gaps in the administration of safety and proposes measures to bring about equivalent safeguards in Mexico. IADC and IOGP are organizations that provide safety statistics that are sometimes used by Pemex as benchmarks.

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TUE, NOV 19

Cyberattack at Pemex: Radio Pasillo

File **100241**
Pages 6
Charts 1

The cyberattack on Pemex that was reported on November 10 disrupted operations across operational and administrative units. In this report, we sample some of the conjectures that were in circulation--and add one or two of our own. We next examined the Pemex administrative statutes of 2017 and 2019 in search of the office that is responsible for cybersecurity. One finding is that in 2019 information technology and cybersecurity had been downgraded in 2019 from a division that reported to the Pemex director-general to one that reported to the Deputy Director for Administration.

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MON, NOV 25

Briefest Legal History and Future of Petróleos Mexicanos: Double Helix

File **100242**
Pages 7
Charts 1

The first transformation was in 1940, when private oil companies could operate alongside Pemex. The 2nd transformation was in 1958, when the role of the independent oil company was eliminated by a change in the Petroleum Law. The 3rd transformation was in 2014, when Pemex was allowed to have partners in oil and gas leases. The 4th transformation--imagined in 2026--would establish Pemex E&P as state-majority company in the fashion of Equinor or Ecopetrol, with market financing, global hiring and professional management.

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MON, DEC 2

Language Proficiency of Engineers and Scientists: Challenges in Mexico's 4T

File **10062**
Pages 10
Charts 3

The level of English proficiency of some new appointees in positions in the energy sector in Mexico have English proficiency as a challenge for professional advancement. This report regards language proficiency in its pronunciation as a matter of understanding the fluid dynamics of that language: How does a language create meaning from the movement and modulation of air in the vocal box and nasal cavities? The report introduces a systematic way to advance proficiency in English and Spanish.

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THU, DEC 5

What can Mexico learn from Houston: Interview with Consul General Oscar Rodríguez

File **902**
Pages 9
Charts 0

Oscar Rodríguez was appointed Mexico's consul general in Houston to explain and promote the Energy Reform. Asked about the culture shocks that he may have experienced, he mentioned his surprise by the way the public and private sectors collaborate to plan public programs and care for public facilities. Such collaboration is absent in Mexico, he noted. He gives advice for his successor as to the major touch points in Houston's energy community.

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MON, DEC 9

MEXICO IN 2019: As reported by Mexico Energy Intelligence™

File **100243**
Pages 21
Charts 2

This report provides an overview of political, executive staffing and energy topics in Mexico in 2019, as reported by Mexico Energy Intelligence™. Includes a list of reports, by category and by title.

36

SAT, DEC 21

NAFTA at 10: Abrogated at 15? (Update 1)

File **668.1**
Pages 22
Charts 4

In this update, we review our assessment of NAFTA in 2004, at the 10-year mark of the agreement. We speculated that the agreement would be terminated within five years as the result of an accumulation of disappointments. In this update, we take note of where we were wrong about the events that would bring about the termination of NAFTA.

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SUN, DEC 22

The Energy Case against USMCA: No enhanced cooperation for offshore safety

File **903**
Pages 12
Charts 5

This report examines the chapters of the U.S.-Mexico-Canada Agreement (USMCA) to learn the advances in the agreements covering trade and investment since the North American Free Trade Agreement (NAFTA) came into force in 1994. The report asks about the extent and manner in which the energy sector is treated, with attention to the oil and gas industry in Mexico. We found that while the energy sector is scarcely mentioned there is broad room for applying the precepts and protocols of many of the chapters, notably Ch. 11 (Technical Barriers to Trade) and Ch. 28 (Good Regulatory Practices). Ch. 24 (Environment), excludes health and safety. A side agreement that is presently missing from the text would concern offshore safety in the Gulf of Mexico.

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SAT, DEC 28

Mexico's Hydrocarbon Ownership Fallacy: the State's authority derives from sovereignty

File **904**
Pages 7
Charts 1
Updated 1/6/2020

This report provides the background for understanding why Mexican trade negotiators sought a separate chapter in the U.S.-Mexico-Canada Agreement (USMCA) that affirms that Mexico has ownership of hydrocarbons in situ. The doctrine of state ownership has its roots that go back in time to the oil expropriation and its aftermath in the late 1930s. The doctrine was incorporated in the 2013-14 energy reform as a way to appease resource nationalists. This report discerns that the relationship of the state to minerals in situ emanates from sovereignty, not ownership.

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MON, DEC 30

MEXUS PLAN: Cooperation between SEMAR and USCG

File **100244**
Pages 4
Charts 1

This report offers an overview of the four decades of agreements between the United States and Mexico to address maritime oil pollution. In March of 2018, the two sides updated their agreement for the protection of the Gulf of Mexico (named MEXUSGOLF). Table 1 provides a chronology of significant events and agreements since 1980.

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