



Houston, June 15, 2023
MEI Report No. 961



THIS REPORT presents ideas for energy reform in Mexico for the period 2024-36, sorted by degree of difficulty of implementation. The report provides material with which public figures and investors can reimagine the national energy narrative, the role of the state, the regulation of markets, and the governance of institutions.

The five years of energy policy in Mexico since 2018 have shown how markets and the expectations of investors and trading partners may be disrupted by a hands-on president with a radical reinterpretation of the country’s energy past and vocation.

Some of the disruptive measures taken were correct although for the wrong reasons. An example is the suspension of oil auctions. The design for the upstream market was deeply flawed, as is seen by the ease with which the state took over the operatorship of the Zama reservoir in 2022.

In this report, we classify 48 ideas for Mexico’s next energy reform by DEGREE OF DIFFICULTY: EASY (17), DIFFICULT (11), MORE DIFFICULT (14), and UNTHINKABLE (6).

Examples: It would be *easy* for the next administration to abjure the use of “fourth

transformation” and “energy sovereignty” in official documents and speech. It would be *difficult* to regulate propane trucks out of residential markets where natural gas is available. It would be *more difficult* to close down the **Mexican Petroleum Institute** (IMP) and sell the Deer Park refinery. It would be *unthinkable* to *de-Cardenize* the national energy narrative. Reader discernment is invited.

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MEXICO ENERGY INTELLIGENCE™ (MEI) is a digital newsletter based in Houston since 1996 and published by market analyst and historian George Baker. We monitor the oil and electricity industries, analyzing developments in law, regulation, policy, and institutional governance from the perspective of regulated market solutions. Institutional subscribers are oil and technology companies, regulators, trade associations, law firms and university libraries. Reports are distributed commercially by paid subscription and online purchase.

INTRODUCTION

LESSONS LEARNED

IN HOUSTON, one learns about how oil and power markets are supposed to work by incentivizing investors to take risks with new ideas, technologies, and financial and engineering solutions. Sometimes, innovations backfire, such as the flawed cementing program in 2020 that failed to seal off the reservoir at the Macondo-1 wellsite and which led to the largest oil spill in the Gulf of Mexico.

In Mexico, one learns that the designs of oil and power markets are shaped by an exceptionalist national narrative that weaves together resource nationalism, state paternalism, and presidential entitlement. The narrative, embedded in law, policy, and popular culture, supports an institutional ecosystem in which the production, transportation/transmission, and retail delivery of energy is provided by government agencies funded by tax-payers and international lenders.

One also learns something about the power of symbols and iconic figures and *cultural and institutional resistance* to change.

MARCH TOWARD STATE CAPITALISM

What concerns Mexican business people and foreign investors who see themselves in opposition to the policies and comportment of the current president is the accelerated march toward state capitalism across the economy—not just the energy sector.¹ By 1960, with the nationalization of the electricity industry, the State owned the means of energy production, transmission/transportation, and distribution. For the next thirty years, a Marxist economy in the energy sector was the new, unquestioned normal. During all this time, a single party won successive presidential elections.

THE DISCOVERY OF THE FUTURE

Sixty-plus years ago, Edmundo O’Gorman, a distinguished Mexican historian, told the story of how Europe processed—over several centuries—the accounts, rumors, and artifacts that were successively provided by explorers, travelers, and government officials in the Americas. His insight was that the conception of America was a long work in progress, not a single event. The book was entitled *The Invention of America* (1961).

Mexican businesspeople, foreign investors, and market and financial analysts are, by analogy, uncertain about what the *post-AMLO energy continent* looks like. In this report, we compile shards—*tepalcates* in Mexican archeology—consisting of policy, institutional, and even lexical hypothetical changes that together might—or might not—come to fit together into a coherent understanding of how the energy sector is supposed to work inside a larger, rewritten story of Mexico. At present, these shards do not fit together as with an ancient Mesoamerican vase.

¹ *Wall Street Journal*, June 15, 2023. Daniel Henninger, “Biden’s March to State Capitalism.”

BACKGROUND

This section provides complementary data and analysis on selected topics that we mention elsewhere in the report. See also the annotations in the appended title list of related reports.

FLY-OVER OF ENERGY REFORMS, 1992-2023

IN 1992, dissatisfaction led by Monterrey industrialists with the quality and pricing of the government’s electricity monopoly resulted in a rule modification in the electric-power subsector by allowing private generation for self-supply. In 1995, the natural gas subsector was opened to private investment, and by 2000 a dozen local distribution franchises had been awarded by international public bidding. During 2000-12, several schemes were tried to allow for private investment in mature oil and gas fields and renewable energy.

In 2012, the political party that had shut down private investment in energy for more than a half-century came back to power. With an agenda that has not been explained, the government of Enrique Peña Nieto offered diverse investment opportunities across the energy sector (with the notable exclusion of power transmission and distribution). Investors were beguiled and intrigued.

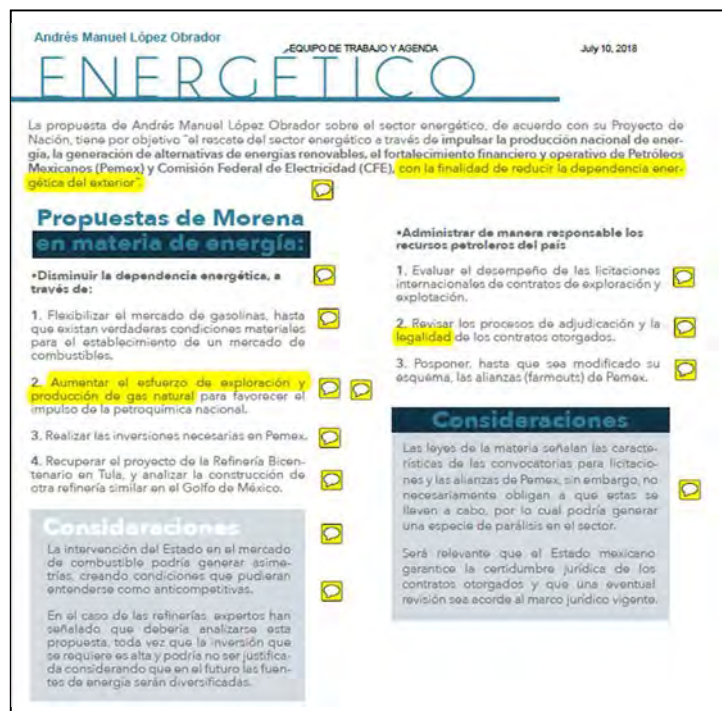
Beginning in 2018, with the inauguration of President López Obrador, the goodwill of the government toward private investors was withdrawn. The lawmakers who had approved the legislation of the energy reform in 2014 were accused of bribery. One of these, Ricardo Anaya, a presidential candidate in 2018, alarmed by government intimidation, fled the country—as have many energy investors and service providers who had entered Mexico under the blue skies of the previous administration.

MORENA energy program, August 2018

Barely a week after winning the election, President-Elect López Obrador released an updated version of his plans for the energy sector (see insert).

Our analysis, MEI 887 (dated August 17) classified the proposals into three categories using chemical metaphors.

We classified many proposals as bromides in the non-chemical meaning of a “trite and unoriginal idea.” Others we classified as silver (Ag), with the connotation of value. In



Andrés Manuel López Obrador
EQUIPO DE TRABAJO Y AGENDA
July 10, 2018

ENERGETICO

La propuesta de Andrés Manuel López Obrador sobre el sector energético, de acuerdo con su Proyecto de Nación, tiene por objetivo "el rescate del sector energético a través de impulsar la producción nacional de energía, la generación de alternativas de energías renovables, el fortalecimiento financiero y operativo de Petróleos Mexicanos (Pemex) y Comisión Federal de Electricidad (CFE), con la finalidad de reducir la dependencia energética del exterior".

Propuestas de Morena en materia de energía:

- Disminuir la dependencia energética, a través de:
 1. Flexibilizar el mercado de gasolinás, hasta que existan verdaderas condiciones materiales para el establecimiento de un mercado de combustibles.
 2. Aumentar el esfuerzo de exploración y producción de gas natural para favorecer el impulso de la petroquímica nacional.
 3. Realizar las inversiones necesarias en Pemex.
 4. Recuperar el proyecto de la Refinería Bicentenario en Tula, y analizar la construcción de otra refinería similar en el Golfo de México.
- Administrar de manera responsable los recursos petroleros del país:
 1. Evaluar el desempeño de las licitaciones internacionales de contratos de exploración y explotación.
 2. Revisar los procesos de adjudicación y la legalidad de los contratos otorgados.
 3. Posponer, hasta que sea modificado su esquema, las alianzas (farmouts) de Pemex.

Consideraciones

Las leyes de la materia señalan las características de las convocatorias para licitaciones y las alianzas de Pemex, sin embargo, no necesariamente obligan a que estas se lleven a cabo, por lo cual podría generar una especie de parálisis en el sector.

Será relevante que el Estado mexicano garantice la certidumbre jurídica de los contratos otorgados y que una eventual revisión sea acorde al marco jurídico vigente.

La intervención del Estado en el mercado de combustible podría generar asimetrías, creando condiciones que pudieran entenderse como anticompetitivas.

En el caso de las refinerías, expertos han señalado que debería analizarse esta propuesta, toda vez que la inversión que se requiere es alta y podría no ser justificada considerando que en el futuro las fuentes de energía serán diversificadas.

a few, we put the category of plutonium (Pu), suggesting toxicity (See appended Table 2).²

Oil and gas markets

Oil and natural gas deposits are part of the non-renewable mineral estate of a society or country. Miners are asked by public authorities to pay not only taxes on profits from the sale of extracted minerals but also an amount on the volume extracted regardless of future profits. How to think about the amount that miners should pay continues to be an open question. On U.S. public lands, since 1920, the federal government established a royalty rate of 1/8th or 12.5%. The term of a lease (or license) was contingent on continuing production in paying quantities. The indefinite term length and low royalty rates together would incentivize the miner to reinvest in new technology to produce the last economic unit and achieve the maximum recovery rate.

AMLO's suspension of the oil auctions

Regarding the attraction of private investors in producing and prospective oil properties (or acreage), the (unidentified) authors of the upstream energy reform got just two things right:

1. Pemex could not produce and deliver the energy and petrochemical production needed by society and pay the royalties and taxes needed by the state.
2. For the sake of Pemex and the development of Mexico's hydrocarbon estate, Mexico needs new eyes, fresh capital, and global experience.

Everything else they got wrong. We conclude, therefore, that AMLO was correct in suspending the oil lease auctions but not for the reasons he adduces.

There will be future lease auctions, if not in the administration of 2024-30, then in the one that follows. Among the ideas in this report are several that are intended to correct the errors of the energy reforms of 2013-18.

Misalignment with trading partners

On July 20, 2022, the **U.S. Trade Representative** (USTR) filed a formal request for investor-dispute consultations, citing alleged violations in energy commerce of the rules of the USMCA, the trilateral trade agreement signed with the United States and Canada in 2018. Getting Mexico in alignment with its trading partners regarding matters of energy—and genetically modified corn, a source of calories—should be a high priority for a future energy reform.

² Table 3 (not shown) was our suggestions of topics in energy policy that in our view merited the attention of the new government.

DISCUSSION: GOALS AND TASKS SORTED BY DEGREE OF DIFFICULTY

IN OUR FIRST ATTEMPTS to compile ideas, we just listed them as they occurred to us, in a stream-of-consciousness fashion. Later, rereading them, we discerned that they fall into categories, which we ordered alphabetically (see insert).

Culture
Institutions
Facilities
Historiography
Legal Framework
Market Design
Regulatory Framework

Some readers may wonder about our inclusion of historiography as an area where new ideas are needed. We take very seriously AMLO's campaign to rewrite Mexican history in his ideological image—starting with the periodization of 1982-2018 as one of neoliberal corruption. His exalting the selected figures of Mexican history as patriots who are above criticism has the hidden intent to close research by revisionist historians.

As appealing as it would be to have each idea in this report linked by a legal, logical, economic argument to the idea that follows, we abandoned this approach as beyond our reach. Minds wiser than ours will have to reimagine how Mexican society can turn back from a road that leads toward state capitalism and serfdom.

We have only our experience and intuition to justify placing ideas in one or another classification of difficulty. Difficulty increases with the number of economic and political actors that would be required to make a change. The decision not to attend the March 18th commemoration, for example, would be that of just one person, the president of Mexico. Rewriting the national narrative about the expropriation, in contrast, would involve politicians, historians, economists, and journalists.

We present each idea in boldface, in most cases, followed by comments and a brief statement of the benefits to be gained.

1. EASY

CULTURE

The President of Mexico to discontinue participation in the March 18th commemoration of the 1938 oil expropriation, likewise, cease to invoke the legacy of Lázaro Cárdenas to justify oil policy. «1»

Vicente Fox, as president of Mexico (2000-06), did not attend the March 18th commemoration during three of his six years in office.

Benefits: No president can be taken seriously who ceremoniously intones *¡Viva la Expropiación!*

Eliminate in official documents any reference to “Fourth Transformation.” «2»

Reduce the frequency of presidential press briefings to once a week at most. Eliminate the segments about “Who’s who in fuel prices” and “the lies of the media.” «3»

Benefits: Reduces the market noise of the involvement of the president of Mexico in the commercial and strategic decisions of Pemex.

Eliminate the official use of the AMLO neologism “energy sovereignty,” and redesign Pemex’s logo to eliminate any reference to the “rescue” of Mexico’s sovereignty. «4»

It’s legitimate to worry about energy security, but “energy sovereignty” makes no sense.

Promote English bilingualism in Pemex, CFE, and throughout the federal government. «5»

Make English proficiency a requirement for executive appointments in Pemex and CFE.

Benefits: Too many to list. The current administration in Mexico is the least proficient in English since the administration of José López Portillo (1976-82).

Pemex’s upstream business unit, *Pemex Exploración y Producción*, to establish a liaison office in Houston, located in the offices of Pemex Procurement International, Inc. «6»

All oil companies of importance have a liaison/networking office in Houston; Pemex is the rare exception. A three-year duty assignment in Houston should be a normal assignment in a Pemex career for petroleum engineers and earth scientists.

Benefits: Mid-career professionals assigned to Houston would be able to build networks useful in addressing future challenges at home. The persons assigned would learn from the meetings of the many professional associations there, such as the Houston Geological Society.

Rewrite the history of agrarian reform in Mexico, with emphasis on the need of rural farmers for education and commercial energy. «7»

Emiliano Zapata, the famous leader of a peasant uprising in the 1910s, called for “*Tierra y Libertad*” (Land and Liberty). Looking back, Zapata should have demanded rural education and commercial energy. As former PAN Senator Jeffrey Jones recalls of the time during the Fox administration,

When I was undersecretary of agribusiness development (prospective planning, finance & market development) and trying to change a similar paradigm in Ag policy, I would repeatedly explain that the Mexican Revolution was based on a false hypothesis, “*Tierra y Libertad*”, that is, that you can bring people out of poverty with a couple of hectares of land. I would say that the outcome would have been completely and positively different if the cry had been “*Educación y Libertad.*”

FACILITIES

Commission underground storage facilities for natural gas. «8»

This topic has been under study in Mexico for fifteen years, if not longer. Prospective sites have been identified, but none put into service. The customer to be able to withdraw gas with a service fee for storage.

Meyer, at the **Colegio de México**, brought to life successors who will dig into Mexico's oil history as he did of the 1940s. Likewise, we do not find revisionist scholarship coming out of academia in countries that are Mexico's important trading partners.

Some non-profit organizations and associations are critically monitoring events, such as **Ombudsman Energía México** and **Clúster Metropolitano de Energía**. We have not yet seen from them, however, a proposal for energy reform for the next presidential period.

Meanwhile, to judge from the elections in the State of Mexico on June 4, 2023 (see map), the presidential candidate for AMLO's MORENA party will win in the general elections scheduled for July 7, 2024.

One measure of success of a future energy reform is an increase in the aggregated use of commercial energy/capita/day.

CONCLUSIONS

CONTRARY TO THE VISION of Alex Epstein that a country's economy and household wellbeing increase with the supply of affordable, commercial energy, the López Obrador administration has lowered expectations by restricting new supplies of oil and gas, fossil fuels, and renewable energy.

If the MORENA presidential candidate wins in 2024, what improvements in energy policy may be reasonably expected? We may expect improvement in the treatment of investors in renewable energy and fuel storage. We may expect CRE and CNH to be more accommodating in the issuing of permits. But we do not see any walk-back from the main programs and rhetorical arts of President López Obrador. Pemex and CFE will be expected to continue to be the paladins of energy sovereignty. It will take most of another six years for the next government to come to an understanding of what went wrong in the Energy Reforms of 2013-18.

It would seem to follow, therefore, that the ideas that we have identified in this report will not receive consideration until a post-MORENA government comes to power. Even then, acting on one idea or another will bring about only temporary benefits if the discretionary authority of the President of Mexico stays unchecked as it is today.



About this report

At a breakfast in Mexico City on May 11, 2023, one of those present commented, "your reports ask, 'Have you thought about that?'" *Bingo!* This report benefited from the observations of advisors and correspondents and suggestions of readers of successive drafts.

We ask for reader feedback about the merit and order of difficulty of the ideas listed.

Scorecard of MORENA's Energy Agenda

Silver (Ag), Bromides and Plutonium (Pu)

Tue, Aug 14, 2018

Revised 8/14/2018

BROMIDES

- Carry out public consultations with transparency.
- Carry out the necessary investments in Pemex.
- Coordinate energy regulators in a “plural manner.”
- Design energy policy for and by citizens.
- Develop a national energy plan based on citizen input.
- Develop a research and technology strategy with a long-term vision.
- Develop renewable energy resources.
- Establish a consistent public policy that defines specific research objectives and goals.
- Explore the possibility of coordination with OPEC.
- Goal to increase the generation of renewable energy sources
- Goal to reduce dependence on foreign energy suppliers
- Goals to strengthen finances and operations of Pemex and CFE
- Grant Pemex budgetary and managerial authority.
- Identify critical technologies that should be accessed and establish competitive areas.
- Link energy policy to environmental and industrial policy.
- Manage gasoline markets until true conditions exist for the establishment for a fuels market.
- Pemex to develop proprietary technology that is key to improved performance.
- Prevent oil companies from establishing regions that would reduce public oversight.
- Provide follow-up on technology policy via the General Research Council on Science, Technology and Innovation.
- Public hearings to discuss the optimal tax policies applicable to petroleum products to include environmental costs.
- Put into the public domain the assignments that Pemex receives from the Ministry of Energy.
- Reactivate the Tula Refinery project and consider the construction of a similar refinery somewhere along the Gulf coast.
- “Rescue the energy sector”
- Restructure Pemex into a single company so that it may exercise its autonomy.
- Strengthen and deepen efforts to eliminate the theft of petroleum products and the existence of a black market.

Pu

- Abrogate legal restrictions that limit Pemex’s ability to compete effectively in local and international markets.
 - Design taxes on petroleum products to discourage the use of private automobiles.
-

- Eliminate asymmetrical regulations to which Pemex is subjected.
- Establish obligatory production and consumption of green electricity.
- Promote commercial balance of energy products, seeking to reduce demand.
- Replace fossil fuels in electricity generation.

SILVER

- Better management of energy consumption of energy by the oil and power industries.
- Complete the reconfigurations and fuel upgrades in all Pemex refineries.
- Dedicate a meaningful part of taxes collected on petroleum products be used for public transportation, energy transition and environmental protection.
- Evaluate the performance of CNH international auctions.
- Expand and modernize infrastructure of storage, transportation and distribution.
- Expand the natural gas pipeline grid to regions without natural gas.
- Goal to increase domestic energy supply
- Greater emphasis on energy efficiency and savings.
- Guarantee full access to information regarding the commercial arrangements that the State makes with private parties.
- In the event of a transboundary reservoir, require that Pemex be the operator on the Mexican side.
- Increase efforts for natural gas exploration and production, to favor petrochemical output
- Increase fuel quality and mileage standards.
- Postpone further farm-outs by Pemex until the framework is modified.
- Promote cogeneration in all industries.
- Promote independent unions in the oil sector.
- Promote the concept of Intelligent City with low energy consumption.
- Reassess the participation of Mexico in the Paris-based IEA.
- Require social investments in energy projects.
- Restructure the Mexican Petroleum Institute (IMP).
- Reevaluate current research programs, and restructure them as needed.
- Review the processes of the award of CNH contracts and of their legality.

SECRETARIA DE LA ECONOMIA NACIONAL

DECRETO que autoriza al Ejecutivo Federal para constituir una sociedad que regule el mercado interior del petróleo y sus derivados.

Al margen un sello que dice: Poder Ejecutivo Federal.—Estados Unidos Mexicanos.—México.—Secretaría de Gobernación.

El C. Presidente Constitucional Substituto de los Estados Unidos Mexicanos, se ha servido dirigirme el siguiente Decreto:

"ABELARDO L. RODRIGUEZ, Presidente Constitucional Substituto de los Estados Unidos Mexicanos, a sus habitantes, sabed:

Que el H. Congreso de la Unión, se ha servido dirigirme el siguiente

D E C R E T O :

"El Congreso de los Estados Unidos Mexicanos, decreta:

ARTICULO 1º—Se autoriza al Ejecutivo Federal para constituir una Sociedad por acciones que esté en posibilidad de regular el mercado interior del petróleo y productos derivados, de asegurar el abastecimiento del país en general y especialmente las necesidades del Gobierno y de los Ferrocarriles Nacionales de México y de facilitar el adiestramiento de personal técnico mexicano en los trabajos de la industria petrolera.

ARTICULO 2º—El objeto de la Sociedad será:

- a).—Efectuar exploraciones y explotaciones petroleras;
- b).—Establecer y explotar líneas de oleoductos y gasoductos, líneas de navegación, estaciones de almacenamiento, estaciones de distribución y de venta de petróleo y sus derivados, refinerías, plantas y sistemas de aprovechamiento y distribución de gas;
- c).—Efectuar toda clase de operaciones que se relacionen con la producción, adquisición, enajenación, transporte, almacenamiento, refinación y distribución del petróleo y sus derivados;
- d).—Fomentar la inversión de capital mexicano en la industria petrolera;
- e).—Los demás que señale la escritura constitutiva.

ARTICULO 3º—El capital de la Sociedad no será menor de diez millones de pesos, distribuidos en acciones nominativas, que no podrán ser adquiridas por extranjeros.

ARTICULO 4º—Las acciones se dividirán en dos series:

Serie A, que cubrirá en todo tiempo el cincuenta por ciento del capital social y será inalienable e íntegramente suscrita por el Gobierno Federal y pagada con el valor de concesiones especiales que otorgará a la Sociedad amparando derechos de exploración y explotación sobre terrenos de reservas petroleras nacionales, en la extensión que sea suficiente, incluyendo, cuando se trate de

bienes propiedad de la Nación, las rentas y regalías correspondientes las cuales quedarán a beneficio de la misma Sociedad.

El Gobierno Federal otorgará las concesiones que sean necesarias para cubrir el importe de estas acciones, a medida que lo solicite la Sociedad, hasta dejar totalmente pagado el importe suscrito.

El Gobierno podrá igualmente pagar el importe de las acciones de la Serie "A" con bienes del Control de Administración del petróleo nacional, sin incluir los terrenos de reservas que le están asignados, pero sí los pozos en explotación y sus zonas de protección.

La Serie "B" por igual valor que comprenderá acciones que podrán ser suscritas por cualquiera persona dentro del precepto del artículo 3º

El valor de las acciones especiales y demás bienes mencionados en los párrafos anteriores, será determinado por dos peritos, o por un tercero, en caso de discordia.

En caso de aumento del capital social, el Gobierno inscribirá las nuevas acciones de la Serie "A" que se expidan pagándolas en los términos indicados en el párrafo primero.

ARTICULO 5º—El Gobierno Federal, cualquiera que sea el importe de sus acciones, sólo representará en las asambleas un número de votos equivalente al cuarenta por ciento del capital social; pero será necesaria la aprobación otorgada por las acciones del Gobierno Federal, para resolver alguno de los asuntos siguientes:

- a).—Otorgamiento de contratos con particulares o empresas privadas, para la explotación de terrenos de reserva aportados a la Sociedad;
- b).—Construcción de oleoductos, refinerías o cualquiera otra operación cuyo monto ascienda a más de la quinta parte del capital social;
- c).—Medidas encaminadas a regular el mercado interior en el ramo del petróleo y sus derivados y aumento o restricción de las explotaciones;
- d).—Adopción de alguna de las medidas mencionadas en el artículo 206 del Código de Comercio.

ARTICULO 6º—El Consejo de Administración estará integrado por siete miembros de los cuales el Gobierno Federal designará tres, pudiendo en cualquier tiempo revocar las designaciones. Los miembros restantes serán designados a mayoría de votos entre los accionistas de la Serie "B" que concurren.

ARTICULO 7º—Será necesario el voto de los tres Consejeros del Gobierno, cuando se trate de resolver alguno de los asuntos mencionados en el artículo 5º

ARTICULO 8º—La escritura constitutiva de la Sociedad determinará las proporciones en que deben repartirse las utilidades, de acuerdo con las siguientes bases:

- I.—En primer término se separará un tanto por ciento para el fondo de reserva.
- II.—En seguida se aplicará la cantidad necesaria para cubrir a las acciones de la Serie "B" los intereses que señale la escritura constitutiva.
- III.—En tercer lugar, se destinará un tanto por ciento para ser distribuido entre los directores, empleados y obreros de la empresa.



ADDITIONAL READING

Year	Topic	File #	Pages	Chart
2023				
May 30, 23	Zama and the Failure of Mexico's Energy Reform: Is AMLO an aberration or the new normal?	1000116	11	1
	<p>This report identifies failures of design and execution in Mexico's Energy Reform of 2013-18, as illustrated in CNH's Round 1.1 in 2015 and the subsequent mishandling of the Zama discovery in 2017 by regulators, Energy Ministry officials, Pemex executives, and the President of Mexico. What was supposed to have been a success story by an oil company operating independently of Pemex was forcibly reshaped to be an asset majority-owned and operated by Pemex. The report concludes that no reform will deliver on its promises so long as the President has any role in the naming of the executives of Pemex or CFE.</p>			
2019				
Apr 03, 19	Oil Missteps in Mexico, 1982-2018: Narrative, Law, Technology, Management, Recruitment	891	17	2
	<p>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.</p>			



Additional reading

Year	Topic	File #	Pages	Chart
2018				
Oct 18, 18	Setting Expectations for 2018-24: Mexico's Fourth Transformation	881	11	1
	<p>This report gives attention to the announced vision of President-Elect Andrés Manuel López Obrador to achieve a “fourth transformation” of Mexico society that would have historical importance comparable to the earlier transformations of the Conquest, Independence and Revolution. The report examines three themes related to the energy sector: one, concerning the upgrading of Pemex, a second about improving the lease auctions and a third about the performance of energy regulators. In the second part of the report, we offer our own ideas about policy and legal innovations that could contribute to improving the standard of living, the business environment and democratic rule. Annex A is an invitation to the inauguration on December 1.</p>			
Aug 20, 18	Urging MORENA to be More Ambitious: Ideas for an expanded agenda for energy policy	878	10	3
	<p>This report urges the incoming MORENA administration to be more ambitious in its planning for the energy sector. We list two dozen topics grouped in to six categories: Corporate governance and culture, downstream regime, legal, regulatory oversight, social and environmental policy and upstream regime. We observe that insofar at the recovery of oil and gas production depends on the success of non-Pemex operators, the new administration should pay careful attention to take measures to favor their success. Annex A is a statement of how we visualize the energy and environmental future of Mexico and about our role in shaping it.</p>			
Aug 17, 18	MORENA's Energy Agenda: Silver (Ag), Bromides & Plutonium (Pu)	877	19	4
Aug 19, 18	<p>This report critiques the 50 proposals of the MORENA party related to energy as set forth in a document dated July 10, 2018. We characterize the proposals using metaphors from chemistry: interesting (silver), crowd-pleasing (bromide) and problematic (plutonium). MORENA roots go deep in Mexican history to the post-revolution under President Lázaro Cárdenas, whose statist vision of the oil industry continues to this day. Table 1 scores the proposals by their topics. Table 2 sorts the proposals by our 3 scoring classifications. Table 3 offers two dozen policy items that are not mentioned in MORENA's agenda (such as recycling). Annex A is the extracted section on energy (in Spanish) to which some 40 call-out notes (in English) are appended.</p>			



Additional reading

Year	Topic	File #	Pages	Chart
2017				
Feb 08, 17	ASEA Bilingual Glossary: Defined terms in ASEA law and guidelines	837	70	0
<p>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.</p>				
2015				
Aug 08, 15	Interview with Ronald Sweatman: Downhole origin of the Macondo blowout	11	12	1
<p>In this interview, Ron Sweatman, a Houston-based scientist-engineer with 44 patents in the areas of cementing and fracking, explains how the premature setting of the casing seal assembly set in motion a sequence of events in the fluid mechanics of the drilling fluids that caused the Macondo well to become underbalanced within the first two hours following the placement of the cement. He calls for enhanced training, software and API guidance regarding the effect of temperature differentials between the drilling fluids and the geothermal gradient can have on well integrity. Fig. 1 is a diagram of the Macondo well.</p>				
2014				
Sep 22, 14	Post-Reform Blues: What does the Mexican Energy Reform mean in English?	772	9	1
<p>This report observes that many of the concepts that are embraced in the 2014 energy reform have their roots in ideas that had first appeared in previous presidential administrations, for example, the idea proposed during the Fox administration that Pemex's board of directors should include executives from the private sector. The report identifies some dozen key terms that are found in the energy legislation that are either ambiguous or are tropicalized to give a unique Mexican significance.</p>				
Aug 27, 14	Mexico's Energy Redesign of 2014: Will it lead to market decentralization?	771	9	0
<p>This report identifies things to worry about in relation to the next phase of the roll-out of the Mexican energy reform. The government has definitely redesigned much of the institutional and legal framework; but, as we point out in this report, much of the old regime is being carried forward into the new one.</p>				

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