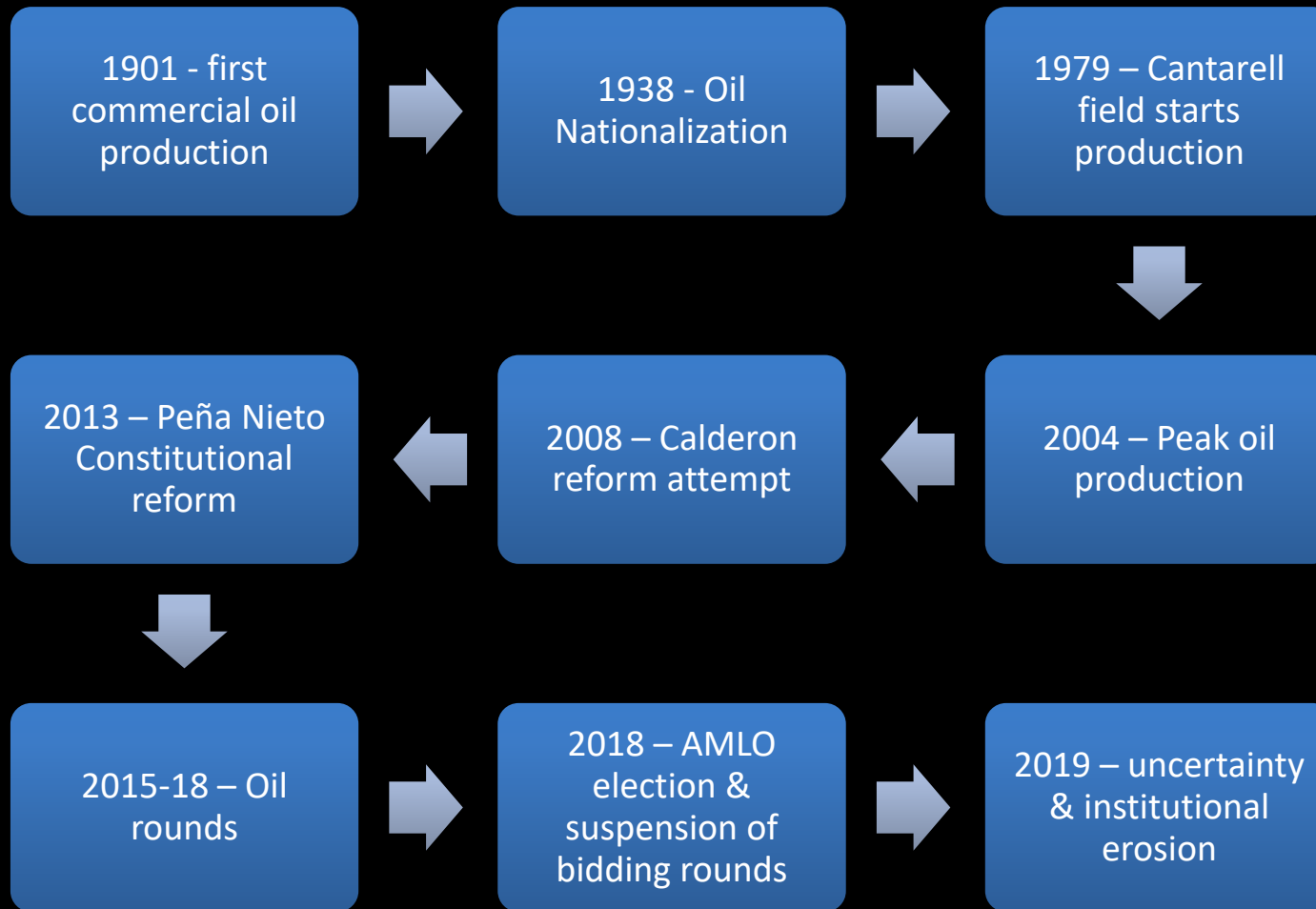


# Committee on Gas and Committee on International Relations

## Mexico Regulatory Reforms

Tuesday, February 11, 2020 | 2:45 – 3:45 pm

# Mexico's energy sector: a very brief history



# Committee on Gas and Committee on International Relations

## Mexico Regulatory Reforms

Tuesday, February 11, 2020



1994 • XXV • 2019

CACHEAUX CAVAZOS & NEWTON



**NARUC**

National Association of Regulatory  
Utility Commissioners

**Winter Policy Summit 2020**

February 11<sup>th</sup>, 2020. Washington, D.C.

# Mexico's Natural Gas Policy and Regulatory Highlights under AMLO Administration

José María Lujambio

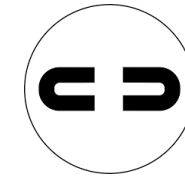


# Exploration & Production



- President AMLO leads a nationalist-statist-populist unstable coalition: energy “sovereignty” focus, seeking to increase domestic production, strengthening State-owned Pemex (and CFE).
- Suspension of E&P bidding rounds as well as farm-out schemes; announcement of “new” fields (Quesqui), and some old-fashioned unattractive service contracts.
- Ambiguous statements about hydraulic fracturing. MORENA initiative to ban it, although generally, environmental enforcement does not seem to be a government priority.

# Midstream & Downstream



- Controversy between CFE as shipper and pipeline transportation giants Sempra, TransCanada, as well as Carso and Fermaca.
  - Several months of uncertainty, impacting the whole economy.
  - Diplomatic involvement.
  - Agreement reached apparently supposes longer contractual terms but smaller rates per year.
- Major projects finalized (Sur de Texas-Tuxpan, Wahalajara system), but no new bids.
- Energy shortages in the Yucatan peninsula.
  - Recently announced: Engie's Mayakan pipeline will be connected to the national grid (SISTRANGAS) through a government-sponsored pipeline (Cuxtal I).
- Power generation: fossil fuels over renewable sources (CCGT projects – government estimates 30 GW in next 30 years).

## What's next?



- No significant constitutional or legislative changes should be expected.
- National Hydrocarbons Commission (CNH), but particularly Energy Regulatory Commission (CRE) and environmental agency ASEA will be significantly weaker, with less relative autonomy.
- CENAGAS as integrated system operator, now as purchaser for regular balancing purposes. Storage is still a big need but projects slowed down.
- Market will keep growing: huge coverage opportunities, and end users always looking for better options.
- Eventual domestic price hubs somewhere in the system's main pipelines.



**MANY THANKS**

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**Cacheaux, Cavazos & Newton, L.L.P.**





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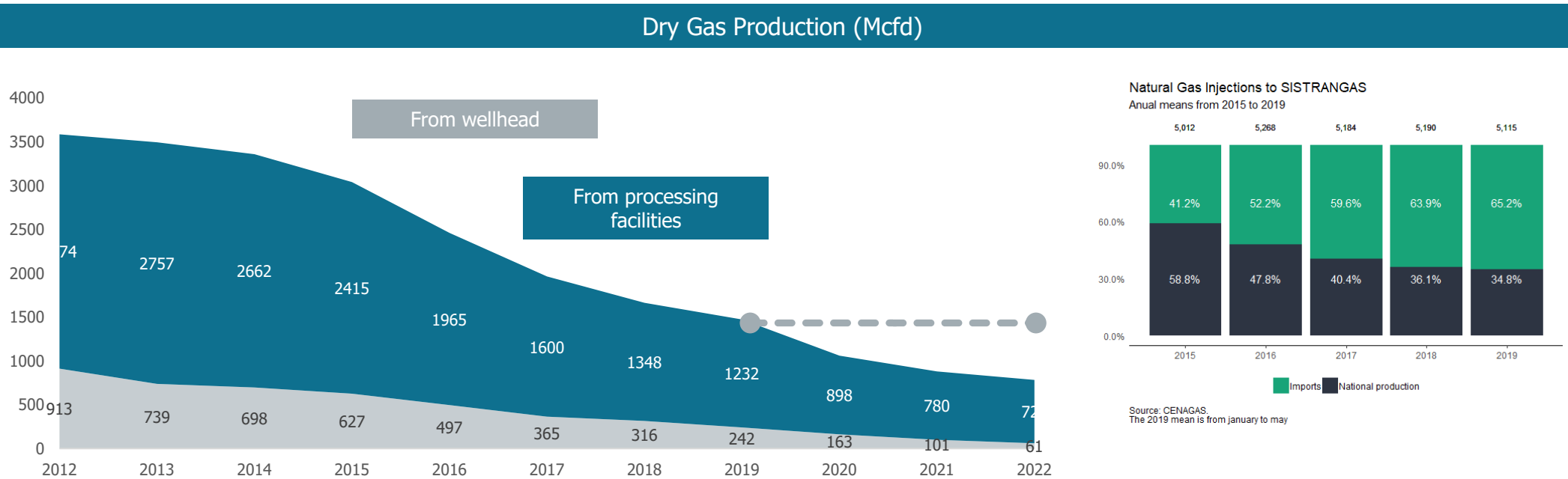
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# The Mexican Natural Gas Balance

February 2020

# Mexican balance: declining domestic production

Domestic production is sharply declining. Investments would just curb the plunge without changing the trend.



**Processing facilities:** 2015-18 annual decline of 1.3 Bcfd

**Wellhead production:** constant decline (except for Ixachi).

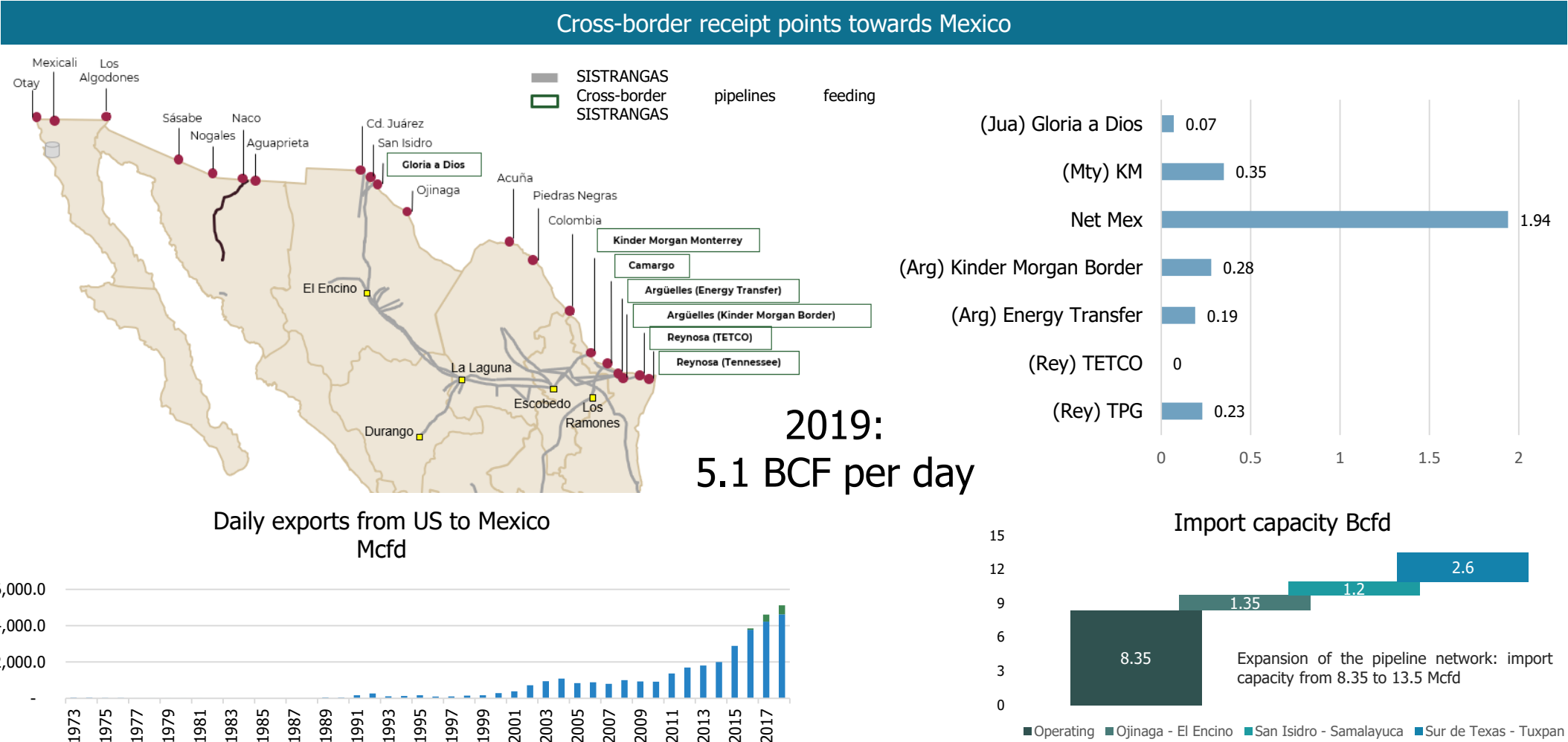
**Ixachi:** started injecting gas in 2019. Goal 2022: 0.6 Bcfd

More than 50% of the Mexican natural gas demand is met by imports:

- Pipeline- US natural gas.
- LNG regas facilities (Manzanillo and Altamira).

# Nat Gas Balance: pipeline imports

2019: Natural gas imports through 21 cross-border receipt points.  
SISTRANGAS is supplied through 7 international interconnections (5 direct, 2 indirect).



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