

TALANZA

TALANZA ENERGY

Powering true value

The first 100 days of AMLO's presidency: challenges and opportunities from a risk management perspective



- Marco Cota
- Pablo Medina
- María Serna
- Sashe D. Dimitroff and Marco Molina
- David Rosales



THE NEW POLICY AND THE FUTURE FOR OIL AND GAS CONTRACTS IN MEXICO

Marco Cota is the founder and CEO of Talanza where he assists international energy companies in the design and implementation of tailor-suited strategies for their regulatory compliance adjusted to the applicable geopolitical context, considering current and upcoming regulations.

Although The Plan is based only on public investment, President López Obrador has shown his willingness to respect private contracts awarded in the last administration with the condition that they must invest and produce by 2021.

In this session, Marco Cota presented the feasibility of the National Hydrocarbons Plan 2019-2024, as well as the future for private investment opportunities and finally he explained the challenge of the Mexican regulatory system.

1. the national hydrocarbons plan 2019 – 2024, is it feasible?

Just 15 days after taking office, President López Obrador presented the National Hydrocarbons Plan (“The Plan”) for the next 6 years. This plan has set two highly ambitious goals:

- (a) To increase oil production by 600 thousand barrels per day by 2024, and
- (b) the improvement of the 6 current refineries and the construction of a new one.

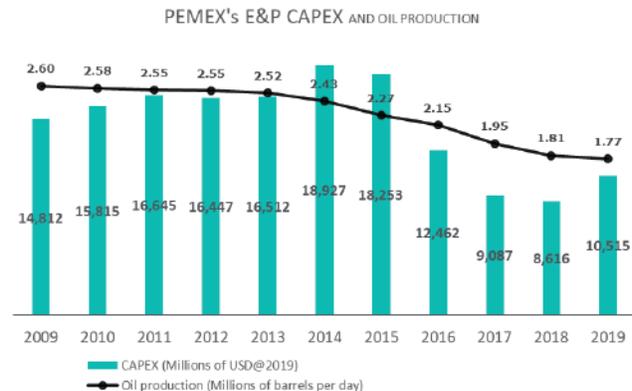
Both are unfeasible goals due to an underestimation of financial requirements and relying only on public investment.

Furthermore, the government announced the intention to increase Cantarell’s production. This would require improved and enhanced oil recovery technologies which would be unfeasible with a 60 USD price of oil barrel.

Another pitfall of The Plan is that with a limited budget, allocating more resources to downstream activities represents less resources to stop declining production.

During the last decade, there has been a constant decline in oil production. This is indicated by the black line on this chart.

10 years trying to stop declining production



Source: Talanza with SHCP data

In our opinion, in order to revert this tendency, Pemex requires investments of at least 20 billion dollars.

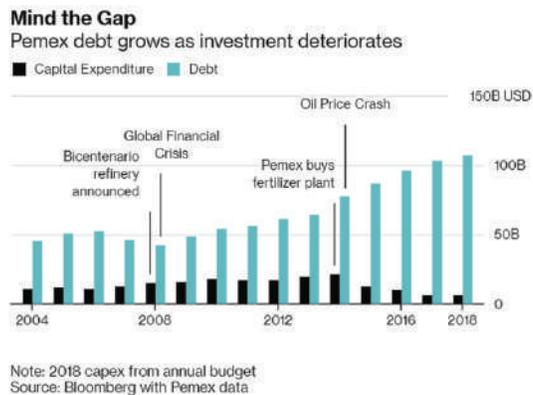
However, the new government is **allocating only 10.5 billion USD in 2019.**

In addition, **even when Pemex had high investment levels it did not stop the declining production tendency using only service contracts.** This suggests, that **the problem is not only a matter of investment but also of technical and execution capabilities of Pemex.**

Pemex financial situation

PEMEX financial current situation is the main obstacle to allocate more CAPEX to either upstream or downstream activities. With a 100 billion dollars debt, Pemex has become one of the most indebted oil and gas companies in the world.

As the graph shows, the increasing debt of Pemex is associated with low levels of CAPEX.



We believe that capitalization through **stock market is less compatible** with the current government ideological position as it would represent a direct privatization of PEMEX.

However, we see Pemex's farmouts (which represent partial privatization of individual assets) as the best alternative because **PEMEX could strengthen not just its financial position but also because it can increase its technical and operational capabilities.**

Historically Pemex has been **unable** to stop declining production with service contracts.

Pemex E&P **requires** at least 20 billion USD to revert the trend.

From 2009 to 2015: **Increasing CAPEX** (averaging USD\$16.8 billion per year).

From 2016 to 2018: **Decreasing CAPEX** (averaging 10.2 billion per year).

President López Obrador is **continuing with a contract model called CSIEEs** which is similar to those implemented since 2009. However, **this time, Pemex will have half of the investment resources.**

Current USD \$100 billion debt is mainly due to **limited access to capital.**

One alternative would be to capitalize Pemex through **stock market** which looks "improbable" with current administration.

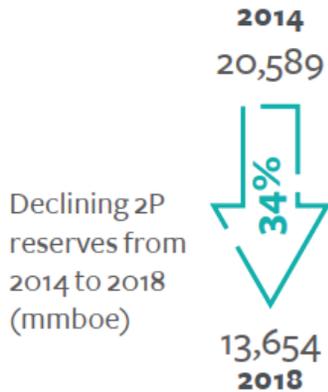
The other alternative is to strengthen finances through **farmouts** (individual asset privatization).

Before building refineries, Pemex must **increase reserves and production** allowing debt reduction.



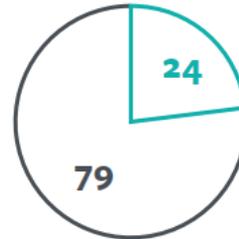
Since 2016, CAPEX fell importantly which was a hard incentive for Pemex to increase its CAPEX through farmouts. Unfortunately, this never took place.

Due to low activity and investment, Pemex lost 34% of its 2P reserves:



Pemex performance during the energy reform

Round Zero's entitlements by work commitment fulfillment status (Aug 2017)



- Fulfilled
- Not fulfilled

Pemex did not comply with its work commitments although the Mexican Constitution mandated the devolution of 79 of 103 entitlements that were under this condition by the end of the three year period which ended in August 2017.

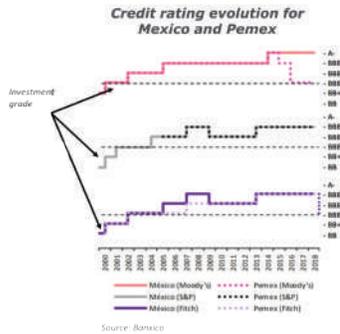
Even though there was a clear lack of investment, Pemex had a poor performance in its farmouts as it only achieved 3 with very low participation of private investors which was motivated by the uncompetitive terms and conditions of its JOA model.

Farmout	Offers received
Trion (DW)	2
Cárdenas-Mora (OS)	2
Ogarrio (OS)	4
Nobilis-Maximino (DW)	0
Ayin-Batsil (SW)	0

DW: Deepwater, ON: Onshore, SW: shallowwater

Pemex performance during the energy reform

One of the main national concerns with the new government is the lack of **political counterweights**. However, **international credit rating agencies have been playing a real check and balances** system to The Plan.



Credit rating agencies have been an **effective counterweight** to President López Obrador's proposal for Oil and Gas, that have downgraded Pemex credit ratings due to **underinvestment in upstream** activities.

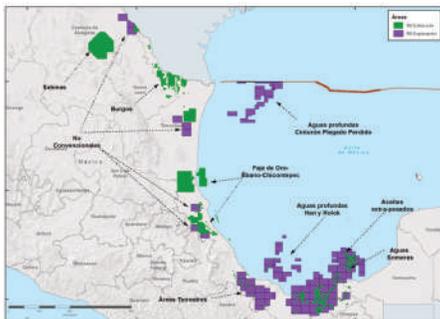
On February, 2019, President López Obrador announced a **second package** to rescue Pemex that resulted insufficient to rating agencies. Currently, Ministry of Finance is working with a **third proposal** that will be announced in soon.

The consequence of loosing the investment grade represents a major threat not only to Pemex's finances but also to National public finances as it will increase the debt cost and it will make riskier to invest in Pemex and eventually in Mexico.

Mexico's credit rating are represented by solid colored lines and the colored dotted lines represent Pemex ratings. In the case of Standard & Poors, in gray color, it keeps the same rating for Pemex and Mexico's sovereign debt. However, this agency has recently announced that **both the country and Pemex financial perspective have turn negative from stable**.

Moody's in pink and Fitch in purple have downgraded Pemex's credit rating to the limit of investment grade (black dotted lines). Below this line, Pemex bonds would be considered speculative or simply junk.

Pemex's farmouts: the best and only solution





Round Zero

In 2014, Pemex was awarded with 83% of Mexico's 2P Reserves and 21% of Prospective Resources.

381 extraction entitlements (green): 20,589 mmboe of 2P reserves, which represents 63 times 2P reserves awarded through bidding rounds (329 mmboe).

108 exploration entitlements (purple): 23,447 mmboe of prospective resources. 103 of 108 exploration entitlements with work commitment not fulfilled.

If the current government wants to stop declining production in the short run and even to increase production by 600 thousand barrels per day in 6 years, there will be no other way as to concentrate in farming out some extraction areas (green).

Current operators should adopt a communication strategy with the new government, to highlight the benefits to the country in the following issues:

- ✓ **Investment:** wells drilled and knowledge generation.
- ✓ **National Content:** Training, Technology transfer.
- ✓ **Social Investment Plan**
- ✓ **Value chain development activities**
- ✓ **Employment**
- ✓ **Taxes**
- ✓ **Others**

Pemex has been struggling to invest and to operate in its entitlements awarded in Round Zero, which are the areas with the best oil and gas potential in the country.

One of the advantages of the energy reform is that it allowed Pemex to farmout any of these areas and to establish Joint Ventures through the bidding process system of CNH. However, Pemex always complained about the system because **it doesn't allow Pemex to choose freely** its partners.

One of the reasons that supports the idea that Pemex farmouts will be the **most likely scenario** to rescue Pemex is that **some** of the leading voices of **the new government** are asking for allowing Pemex to control the bidding process for its farmouts.

President López Obrador ultimatum and the importance of strategic communication with the new government

President López Obrador addressed the oil and gas industry showing his willingness to respect the 107 contracts awarded in the last administration, as long as companies demonstrate that they are investing and producing. He set a three year term for private operators to achieve results.

Oil companies should adopt a strategic communication of the different benefits that they are bringing to the country.

Not only, well drilling activities, new data acquisition and knowledge generation will be key, but **it is also important to communicate achievements in national content, social investment, industrial activities in the whole value chain, employment, taxes and many other benefits.**

Wells committed and the regulatory challenge

Rounds	Wells Committed	Investments (millions USD)*
1.1 SW	4	143
1.2 SW	12	553
1.3 ON	38	148
1.4 DW	8	488
2.1 SW	9	309
2.2 ON	11	169
2.3 ON	25	281
2.4 DW	23	1,334
3.1 SW	9	442
Total	139	3,867

SW: Shallow water; DW: Deep water; ON: Onshore
 *As expected by CNH

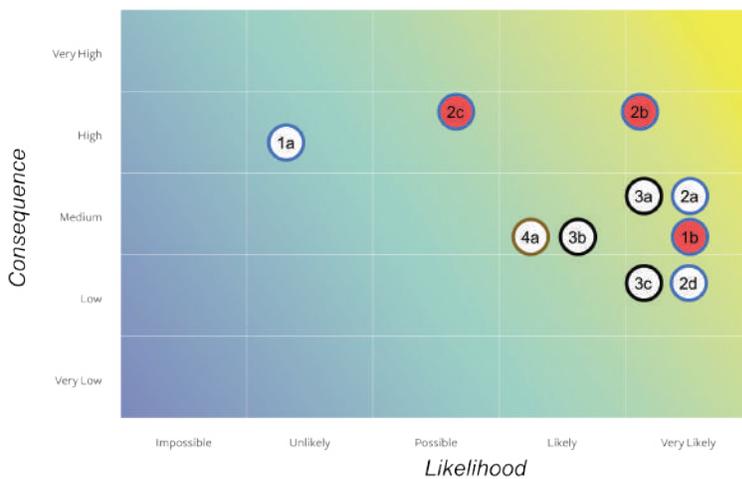


The new government has said that private operators have not invested what they promised. **On one hand, we could say that there are 3.8 billion committed for drilling 39 wells are guaranteed** by credit letters.

However There is a clear delay in the execution of petroleum activities: For instance: 1,000 days have passed from the date of plan approval and block 2 of Round 1.1 has not drilled the well committed in the bidding process. In addition, for 6 blocks of the first deep water round, the round 1.4, almost one year passed from CNH approved their exploration plans and committed wells have not arrived.

Why are investments under such delay? The answer is because of regulatory compliance. For instance, once an exploration plan is approved, operators must deal with 17 new procedures from 5 different government authorities.

Compliance risk profile



The best approach to manage compliance is through risk management techniques.

There are three main risk sources for compliance: government, operators and the legal system.

Government risks (Type I): 1a Adverse contract modification, and 1b Turnover costs.

Government risks (Type II): 2a Contract audits; 2b ASEA’s capture; 2c CNH-CRE’s capture, and 2d Increase of compliance cost (e.g. National Content and SIA).

Operator risks: 3a Misunderstanding of compliance; 3b Deviation from regulations caused by public-servant’s recommendations or someone else’s experience, and 3c Misalignment of Operator’s and Industry (group) goals of advocacy.

Legal risks: 4a Any derived from a risk assessment of the contract and regulations.

Up to date, only 19 of 139 committed wells have been completed: 18 appraisal or production wells (13 offshore) and one exploratory (Talos’ Zamma-1), which discovered a 1,800 MMboe shared reservoir with PEMEX.

The remaining 120 committed wells are distributed among 70 contracts where 39 have an approved plan (exploration, appraisal or development) but have not started drilling any single well, despite, some of them have an approved plan for more than 2.5 years.

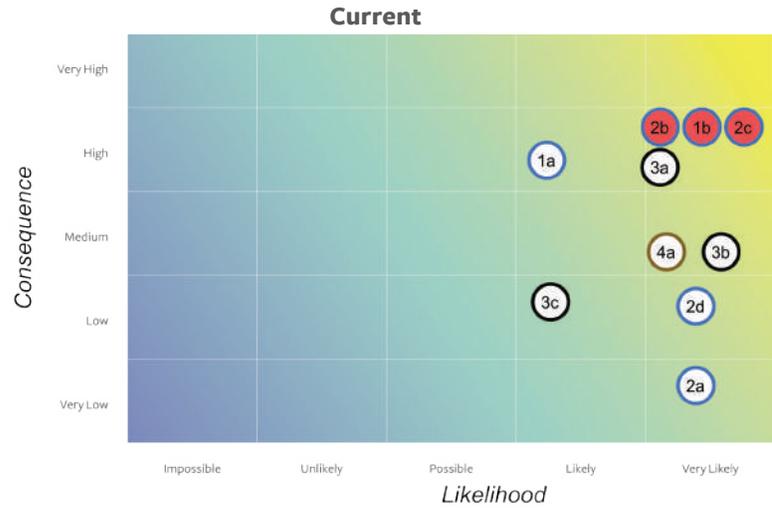
Government risks: Type I, where the source is a government misunderstanding of compliance and **type II**, those where there is a hardening of policy enforcement.

Operator risks: those derived from cultural and economic barriers to achieve an adequate compliance standard.



Regulators capture and Turnover costs are now the main risks for compliance. Additionally, all risks have moved to the northeast corner, increasing the risk profile.

Compliance risk profile



Regulators capture and turnover costs have been confirmed:

- 2019 Budget reduction of 32% for the three energy regulators, increases the risk of losing the quality of public service, as we can anticipate a workforce reduction of one third.
- CNH: 3 of 7 commissioners have left office before term. If one more commissioner join these three, the governing body of CNH would be unable to operate.
- CRE: lost its capacity to operate, as there are only three commissioners in office.

THE FUTURE OF PEMEX'S INVESTMENT PORTFOLIO

In this session, Pablo Medina presented the current situation of Pemex's oil and gas production and his insight about Mexico's declining production.

Pemex production

Mexico needs to stabilize its production. Even in the years when Pemex's CAPEX has increased, production has decreased from 2.6 million barrels per day in 2009 to 1.7 million barrels per day in 2019. **But how can it be achieved? Focusing on core assets.**

Pemex in Round Zero chose which assets to maintain. The company was awarded with most of the country's proven reserves.

The private companies that participated in the Mexican bidding rounds have obtained mainly exploration areas, in which there are still no fields discovered. These companies will have to risk their own capital to find resources.

Pemex portfolio

Pemex must identify the most profitable fields and focus on developing them. But also, Pemex must take advantage of the potential of mature fields through enhanced oil recovery. This can be achieved with farmouts, or sharing the risk with service contracts.

Learning from Brazil's experience, they awarded their non core assets. In the case of Pemex, farmouts would obtain great economic benefits from marginal fields.

For example, onshore farmouts received offers of signature bonuses valued at 1.5 dollars per barrel. Pemex could receive 3 billion USD in signature bonuses and 12 billion USD in additional revenues to the government for these mature fields.

If Pemex manages to increase its recovery factor by 1% in mature fields, it would imply an increase of 340 million barrels in additional reserves.

But, the fact that it is difficult for Pemex to invest in marginal fields should not imply that Mexico runs out of additional barrels produced from marginal fields.

In farmouts processes, Pemex must seek companies specialized in enhanced recovery to realize this potential.



Pablo Medina joined Welligence Energy Analytics in 2018 and currently serves as the Vice President of the research division. He has played a prominent role in Mexico's energy reform design and implementation.

Pemex should manage its core assets, considering those that contribute the most to the production, but also take advantage of the marginal fields.

Of the Pemex portfolio, 10 shallow water fields produce 65% of the total production.

Cantarell's production has decreased from 2 million barrels per day to 160 thousand barrels per day.



María Serna advises on the design of the regulatory compliance strategies where she oversees that each of our suggestions is both legally viable and enforceable as well as representing the minimum government relationships wear. She has experience in advocating before high-level public servants of the energy regulators in favor of our clients often integrating diverse stakeholders' points of view.

- Strict law
- Mexican Laws applicable
- Venue: The Hague
- Permanent Court of Arbitration
- Conducted in Spanish
- UNCITRAL Rules

There is a mismatch between a project's reality and the many governmental counter-parties, in which no institution is an expert or will understand the project as a whole.

20 Laws, 8 agencies with different legal nature, regulations with different hierarchy, non-binding guidelines, technical standards and international best practices.

Mexican legal remedies available for upstream projects

Regulatory Context

the Energy Reform created 9 laws and amended 12 existent laws. Apart from these, there are at least, 8 different government agencies with different legal nature and in some cases, different applicable laws. If this wasn't enough, we've calculated that during the life of an Oil and Gas Contract, an Operator will have to file at least 259 procedures.

With all of these, it is safe to assume that any project, at some point, will have to challenge either a regulator's decision, a contractual obligation, the denial of an authorization or something else.

CONTRACTS

General rule: conciliation followed by arbitration.

1. Parties appoint a conciliator
2. Up to 3 months
3. UNCITRAL Rules of Conciliation

At any time, any of the Parties may terminate the conciliation process and start the arbitration.

All controversies are subject to conciliation and arbitration process except **administrative rescission is not subject to conciliation nor arbitration.**

ARBITRATION

In order to start the arbitration process the conciliation phase has to be done first. If the Parties did not reach an agreement during the conciliation phase, they shall start an arbitration process in which each party will appoint an arbitrator, both arbitrators will appoint the president.

The real challenge is with the applicable laws. The Mexican regulatory framework still faces:

- Incomplete regulations
- Pending regulations
- Unexperienced contract draftors
- Complex regulatory framework
- Uncoordinated institutions

Plus, a projects' complexity regarding:

- Engineering
- Fiscal and economic
- Health, Safety and Environment
- International Best Practices

WILL A FOREIGN ARBITRATOR BE ABLE TO MATCH ALL THESE?

It seems tough, so our recommendation here would be, **always try to build your case from an integral point of view.**

CONTRACTUAL AND ADMINISTRATIVE RESCISSION

There are several causes which may lead to a termination. Some of these causes will trigger a contractual rescission, which will be through conciliation followed by arbitration, and some others will trigger an administrative rescission.

Contractual rescission

For the causes established in Contracts, CNH may trigger a contractual rescission which can be challenged by means of conciliation followed by arbitration.

Administrative rescission

If any of these happens, the CNH will notify the Operator of the alleged cause and allow the Operator to argue and prove its cause. Both Parties appoint an Independent expert to write a report on the causes. However, this report is non-binding for any of the Parties and thus, CNH may still resolve against the report and the Operator's cause.

REMEDY:

If the Contractor solves the grounds for before the CNH issues the relevant decision, the proceedings will terminate, once the remedy has been accepted and verified by the CNH and applying, in its case, the penalties provided in Law.

consequences

Transfer of the Contractual Area to the State with no charge, payment or indemnification whatsoever.

The Contractor shall conserve ownership of properties and installations which are not exclusively connected or accessory to the recovered area.

The parties shall proceed to prepare the appropriate settlement in terms of the applicable legal provisions and of the provisions established in the contract.

RECOURSES:

The resolution may be challenged by means of an [amparo indirecto](#) against CNH's resolution.

or

Other mechanism foreseen in an [International Investment Treaty including international arbitration](#).

Though the Hydrocarbons Law explicitly prohibits arbitration against the administrative rescission, International Investment Treaties are of a higher legal hierarchy

causes:

Activity suspension

Minimum work commitment

Control Transfer

Accidents

Misinformation

Non-payment

Consider filing for an amparo indirecto first to avoid losing the term.



The writ of amparo is a Mexican legal figure, which allows any person to get relief from a law or an authority's act that affects its rights. During the process, an injunction of the contested act may be requested.

Given that the Energy Reform was a constitutional amendment, it would have been easy to include this restriction in the same Constitution and in the Amparo Law. to give constitutional grounds to the restriction of injunction that it set for CNH's acts (and CRE's).

CHALLENGING OTHER CNH'S ACTS

During the life of a Contract, the Operator will have to get other permits or authorizations for the compliance of its project, either before CNH or with any other agencies. Not every compliance obstacle will necessarily have a contractual relief.

CNH has a double character, some of its act are performed as a counter-party in the contract and some others, as an authority.

These acts, according to the Law of the Coordinated Regulatory Agencies in Energy Matters, can only be challenged by means of an **amparo indirecto** before a Mexican District Judge, **with no temporary injunction**.

However, we may face some acts that need an injunction, for example, the authorization to suspend the activities.

What if continuing operations jeopardizes the environment, safety, the facilities or even a human right?

The constitutionality is doubtful:

Art. 107 of the Mexican Constitution establishes that any government act that is contested by means of amparo may be enjoined in the terms established in the reglamentary law (Amparo Law).

THE AMPARO LAW DOES NOT MENTION THAT CNH'S ACTIONS CAN NOT BE INJUNCTED.

The only reference of denied injunction made to regarding hydrocarbons in the subsoil is the following:

The State is prevented or hindered from using or exploiting the assets of direct domain.

And even in that case, the Amparo Law establishes that it may exceptionally grant the injunction, if the denial of the injunction can cause greater affectation to the social interest.

Other cases of denied injunctions:

The Federal Economic Competition Commission ("COFECE") and the Federal Telecommunications Institute's ("IFT") actions can only be contested by means of amparo indirecto without injunction.

However, this is foreseen in the Mexican Constitution as well as in the Amparo Law.

Institution	Constitution	Amparo Law	Their own laws
COFECE	•	•	•
IFT	•	•	•
CNH	X	X	•
CRE	X	X	•

The denial of injunction established in the Law of the Coordinated Regulatory Agencies in Energy Matters for CNH (and CRE)'s acts does not have a constitutional ground. Therefore, an injunction may be requested with this argument.

REMEDIES FROM OTHER AGENCIES' ACTS

Any other agencies' acts may be challenged via administrative review ("recurso de revisión") or nullity trial ("juicio de nulidad").

Administrative review	Nullity trial
The same authority resolves	Administrative judge
15 days	30 days

EXCEPTIONS:

CRE: same case as CNH.

ASEA: Recognition of Pre-Existing Damages in the Environmental Baseline Study.

Only foreseen in the Contract, however ASEA is not a party therein though the Contract establishes that both, ASEA and CNH determine the existence of Pre-Existing Damages

SHCP economic balance mechanism

Economic balance: in case new taxes are imposed on the hydrocarbons industry or the existing ones augment, the Contract establishes that SHCP will establish an adjustment mechanism to restore the original economic balance.

There is no provision in law regarding SHCP's obligation.

SHCP is not a party of the Contract.

Hydrocarbons Law establishes that SHCP has the authority to perform "any other activities that are foreseen in the Contracts".

What happens if SHCP does not establish the adjustment mechanism?

Federal Tax Code only foresees recourses against resolutions, not omissions.

Amparo indirecto with injunction to withhold payment of the Considerations until the mechanism is established, or **arbitration**.

What if it establishes an unfavorable mechanism?

In this case, there is a resolution, so either **administrative appeal for revocation** "recurso de revocación" or **nullity trial** "juicio de nulidad" may be triggered, or **arbitration**.

Amparo indirecto without injunction

Contractual conciliation & arbitration

DOUBTFUL if this allows a Contract to impose new administrative faculties to SHCP.

Since this is not an act from CNH nor CRE, an injunction may be requested.



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Strategic options available in international mechanisms

Sashe Dimitroff and Marco Molina - partners at BakerHostetler - shared their perspectives as to the mechanisms to dispute settlement between private parties and Host States; as provided by investment treaties as the so-called new NAFTA.

Each investment treaty has its own definition of what is considered as investment and also, which parties constitute an investor.

When choosing which investment treaty to trigger, it is important to carefully review strategic mechanisms such as, who gets to decide if the subject-matter is arbitrable? Who gets to decide what constitutes an “act of state”? As well as other procedural mechanisms that might be helpful for your case, such as interim measures.

Investment treaties establish the merits of the dispute, meaning that if the question arises whether the Host State has breached its substantive treaty obligations, there is a degree of uniformity between substantive protections in the investment treaties (including the new NAFTA). The essential protections are:

a) Treatment of Investors: All the investors - without prejudice - of their nationality shall be treated under the same standards.

b) Most favored nation: Investment treaties also provide comparative protection standards, that is, standards that do not set an autonomous standard of treatment, but rather require treatment no less favorable than that of national parties and companies of the Host State (national treatment).

c) Fair and equitable treatment: It is difficult to reduce the words “fair and equitable treatment” to a precise statement of a legal

International arbitral tribunals have identified the protection of investors’ legitimate expectations as the “dominant element” of the fair and equitable treatment. In order to qualify for protection, the investor’s expectations must be reasonable, based on the conduct of the Host State and reasonable reliance by the investor in making the investment.

The concept of due process it is also relevant to determine a breach to the fair and equitable treatment; nonetheless multiple arbitral tribunals have issued several interpretations of what constitutes a denial of due process.

d) Compensation by expropriation: The obligation to compensate for expropriation is among the most crucial protections provided by investment treaties. This provision is frequently relied upon by foreign investors in investment arbitration.

In order to be lawful, the investment treaties generally require that the expropriation be **(i)** for a public purpose, **(ii)** non-discriminatory, **(iii)** in accordance with due process and **(iv)** prior payment of prompt, adequate and effective compensation.

The universal standard of compensation in expropriation established by international investment treaties for lawful expropriations is the **fair market value** of the investment immediately prior to the expropriatory measure.

Under international law, treaty breaches originate the obligation to the Host State to compensate the economic damage that they have may cause in an amount equivalent to the losses that the party or company can prove were caused by the measure.



Sashe D. Dimitroff is an adjunct professor at the University of Houston Law Center, where he teaches International Risk Management in the Oilfield Services. He has successfully represented U.S. and international companies in courts and arbitral tribunals around the world, including the International Centre for the Settlement of Investment Disputes in Paris, the London Court of International Arbitration, the International Chamber of Commerce, the International Centre for Dispute Resolution in Miami, the International Institute for Conflict Prevention and Resolution and the International Trade Commission in Washington, D.C. He devotes a significant amount of his domestic practice to representing clients in the energy industry.

Marco Molina is an attorney-at-law from the New York University. He focuses his practice on international litigation and arbitration, complex commercial litigation, securities litigation, anticorruption matters. Marco is well-versed in foreign aspects of litigation, having represented international energy companies in diverse jurisdictions.



David Rosales provides solutions for business development, regulatory compliance and feasibility analysis for fuel projects in Mexico. He can assist clients to design strategies to identify relevant Supply and Demand for operations in the country, and overall to understand the Mexican regulatory environment for Mid&Down

MIDSTREAM & DOWNSTREAM-Challenges and investment opportunities

In this session, David Rosales presented the size and relevance of the Mexican fuel market and the opportunities in midstream and downstream for fuel liquids and natural gas for the following years.

1. The Mexican market: liquid fuels and natural gas

Mexico is the sixth largest consumer of energy on the world. The potential for energy projects on hydrocarbons and electricity is simply massive.

It is also the sixth market for transport fuels with 1.2 billion barrels per day, the fourth largest gasoline market in particular and also the seventh natural gas market with 8 billion cubic feet per day of consumption.

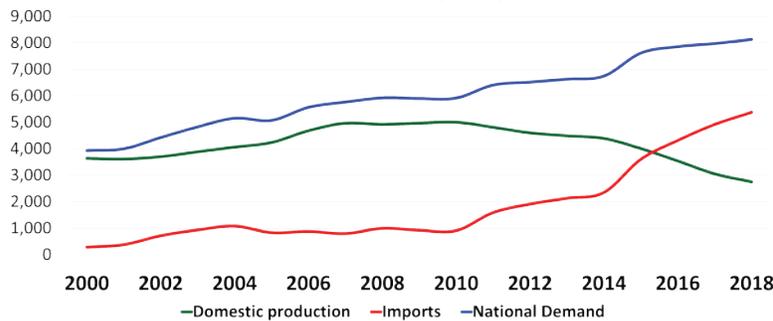
6th market for transport	1,173 mbd
4th largest gasoline market	794 mbd
10th diesel market	379 mbd
7th biggest natural gas market	8bcfd

- Mexican energy consumption has growth 33 percent in only twenty years.
- 40 percent growth for the transportation consumption of gasoline, diesel and jet fuel.
- The industrial sector, driver for GDP growth in Mexico, has increased a whopping 34%.
- The residential sector appears to grow less, but we have to remember the increase on efficiencies of electronical domestic equipments... this sector is also open for investment, because the population continues to grow, tourism and services remain on the rise.

·Particularly, the natural gas sector shows a whopping 100% growth in the last 18 years, driven by great prices from Permian and South Texas.

·The domestic production declination has driven an increase of imports.

México. Balance supply – demand, natural gas 2000-2018
Million cubic feet per day





The natural gas infrastructure includes more than 10,000 miles of pipelines (about 1 thousand under construction as we speak), 24 import points to get gas into Mexico, 9 processing plants and 3 LNG regasification terminals, 2 on the Pacific and one in the Gulf of Mexico.

2. Investment opportunities

From working with Pemex on refineries reconfiguration and development to retail, Mexico has different infrastructure requirements.

·The main challenge, however lies on transport. Pemex lines are destined to its own purposes and present obstacles due to the difficulties to enforce open acces.

·Trains and trucks will be key to start marketing operations in Mexico, but they have to be followed by more pipelines and terminals at the end of those lines to make the magic happen and to develop a stronger market with higher resilience and security of supply.

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