

Finding common ground in Training and Technology Transfer programs



Planning is the mother of all regulations in the Exploration and Production (E&P) sector, in which operators propose to the National Hydrocarbons Commission (CNH), the work and investment programs to be deployed mainly during the three different contractual stages: Exploration, Appraisal, and Development. However, the uncertainty involved in this industry normally makes planning an almost impossible task to achieve, at least for the first two. In the last year, CNH has made it easier to comply with E&P planning, because it has successfully recognized this uncertain nature in its regulations. Nevertheless, the **Training (T) and Technology Transfer (TT) Programs**, despite being important components of E&P Planning, still lack clarity given that they are not among CNH's attributions but rather in the Ministry of Economy (MoE)'s court; but, are they?

LEGAL POWERS

Contracts establish the obligation for operators to include T and TT Programs in their E&P Plans (Exploration, Appraisal and Development); and, for approval, CNH requires MoE's favorable opinion. However, internal regulations of neither CNH nor MoE include T and TT programs as official subjects to be overseen or regulated. This lack of clarity is the main reason why T and TT programs are often the main obstacles to obtain E&P Planning approval. Fortunately, MoE has led an important initiative for moving forward.

MOE INITIATIVE PROVIDES A GREAT DEAL OF CERTAINTY

Government published two very useful documents that together provide a crystal-clear view of what MoE would like to see in T and TT programs. This is also the first time that someone tries to give certainty to T and TT programs, and MoE was successful doing it.

(1) MoE document (*Guide for training and technology transfer programs requested in E&P contracts*) provides a concise methodology with useful resources, like classifiers and Excel formats, for facilitating the definition and submittal of T and TT programs.

To begin with, the Guide defines what is training and what is technology transfer (there was always confusion among operators and even within government). For both T and TT programs, the Guide requires to relate them with the Plan's objective, defining a transfer mechanism and a recipient of T or TT. Additionally, it is required the identification of the national technological necessity for the TT program.

(2) SENER's document (*Technological Necessities of the Hydrocarbons Sector*) identifies a large set of national technological necessities aiming to help operators to choose from a predefined menu. There are 240 technological necessities in 9 groups: *Exploration (25); Reservoir Engineering (23); Well Intervention (46); Well Productivity (42); Production Systems (32); Facility Maintenance (19); Secondary and Tertiary Recovery (10); Commercialization (17); Environmental and Social Impact (26).*

The proposed methodology is a great example of how public service should be delivered: providing guidance with simple and well documented procedures. However, **the uncertainty challenge is still unsolved.**

NEXT STEPS TOWARDS MEETING PUBLIC AND PRIVATE PERSPECTIVES IN E&P PLANNING

Operators want to avoid any investment commitment (including T and TT programs) that they may not be able to fulfill due to the natural uncertainty of E&P planning. In contrast, government wants a clear commitment and certainty about investment in the country.

Though not expressly stated in MoE's Guide, we believe common ground can be achieved if operators use an effective E&P Planning Strategy (including T and TT programs) contingent on different scenarios, therefore controlling uncertainty and fulfilling the objectives of both private and public sectors. (For more information about our Strategic Approach see our September 2019's One Pager).



MoE METHODOLOGY IN A NUTSHELL

1. Identify an E&P technological necessity (you can find a suggestion in SENER's document).
2. Choose a training mechanism for T (workshops, courses, others) and a transfer one for TT (building or operating research centers, financing research and development activities, registering patents).
3. Choose a recipient (academic institution, research center and the like).
4. Define the investment and timetable for the programs.
5. Estimate the benefits.
6. Monitor those benefits.

RECOMMENDATIONS

1. T and TT programs must be considered as part of E&P Planning since the beginning of the plan structure.
2. E&P Planning design must be as flexible as possible, including T and TT programs.
3. Define one T and TT program per operative scenario to minimize the likelihood of future Plan modifications.
4. Even though it is not mandatory, we strongly recommend to follow MoE Guide.
5. Create research and development projects with universities, with a long-term perspective. Scholarships and workshops are considered a weak proposal.
6. SENER's document may be a useful reference, but we recognize that technological innovation takes place normally on the field. Thus, it is important to consider other alternatives that could be more beneficial to Mexican industry.
7. Execute collaboration agreements with Mexican research institutions.

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ANALYSTS



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RICARDO ALCUDIA provides specialized advice to our clients in terms of development stage obligations, focusing on aligning our clients' objectives to compliance of their contractual and regulatory requirements.

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We are a unique firm integrated by experts in energy regulation and public administration, conformed by a professional team with vast experience in the evolution of the energy sector during the last 10 years.

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