



Mexican Regulations on Methane Emissions: a call for reducing the bureaucratic burden

On June 29th, 2016, Canada (CAN), United States (US), and Mexico made a joint commitment to reduce methane emissions from the oil and gas sector by 40% from 2012 levels, by 2025. The compromise included the development and implementation of federal regulations to reduce said emissions. As a result, Mexico issued the “Guidelines to Prevent and Control Methane Emission in the Hydrocarbons Sector” (**Guidelines**) on November 6th, 2018. In this one pager, we address why the Mexican regulations’ particularities impose a high risk for implementation and compliance for government and regulated parties, respectively.

THE REGULATION

ASEA administers the Guidelines which regulate methane emissions coming from:

(1) destruction equipment, (2) leaks during well operations, equipment and (3) hydrocarbons’ venting in the following **activities**, divided by hydrocarbons type:

HYDROCARBONS	ACTIVITY (NUMBER OF OPERATING FACILITIES)
Oil and Gas	Exploration and Extraction (396 Entitlements and 111 contracts).
Crude Oil	Crude Oil: Refining (6), Treatment (3), and Storage (0)*.
Natural Gas	Processing (9), compression (21), liquefaction (1), decompression (13) and regasification (3), pipeline transmission (182), storage (3), and distribution (44).

*Does not include Storage facilities related to Pemex Entitlements that are not officially classified as Storage.

In CAN and the US, each regulated company shall comply with emission limits for every equipment and operation by implementing a common practice of a Leak Detection and Reduction Program (LDAR). In contrast, **ASEA’s Guidelines are less transparent** as they regulate on a case by case basis, with three additional requirements:

1. Total emissions measured on a base year and documented in the Methane Emission Baseline (MEBL).
2. A six-year planning document called Integral Program for Preventing and Controlling Methane Emissions (PPCIEM), with all the activities to reduce emissions and achieve a self defined goal; with respect to MEBL.
3. A favorable Third Party’s technical opinion for PPCIEM and MEBL.

ARE THESE ADMINISTRATIVE BURDENS AND IMPLEMENTATION CHALLENGES WORTH IT?

These three additional requirements impose a heavy bureaucratic burden with no apparent benefit. If LDAR is well regulated, implemented and reported, there is no need for both PPCIEM and MEBL, as the report on emissions’ detection and reduction will be sufficient to obtain total emissions (like in the MEBL) and the activities to lower them (like in the PPCIEM). Additionally, the implementation of both PPCIEM and MEBL requires a robust capacity of Third Parties. To date, there are no authorized Third Parties; partly, due to ASEA’s default in publishing the call for Third Party’s registry in time. But also, due to the difficulty of the official requirements for becoming an authorized Third Party emission expert, such as: “financial, material and human capacity, facilities, equipment, and sufficient technology to provide the service”. In response, on December 12th, 2019 ASEA granted a **19-month extension** to submit PPCIEM and MEBL (now due in June 7th, 2021). Still, there is a high risk of not having Third Party capacity in place by June 2021. Despite the Transitory 3rd of the Guidelines foreseeing that while there are no authorized Third Parties; regulated companies can obtain a technical opinion from an international or national firm with the capabilities to do so; **government and oil and gas industry should monitor the development of Third Party capacity. Otherwise, there is a high risk of failure in regulation implementation.**

RECOMMENDATION

Regulation efficiency may be improved if it is centered on LDAR mechanism instead of PPCIEM and MEBL.

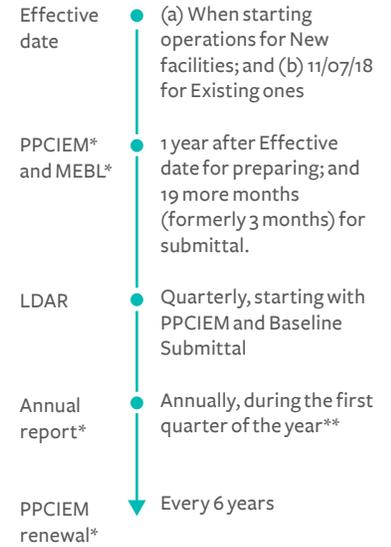
The regional commitment to reduce methane emissions is an urgent action to address global warming. Methane emissions regulation is a recent global practice with an extremely urgent need for implementation. For instance, the United States published its first methane emissions regulations on 2016, Canada and Mexico on 2018, and the European Union has not started yet. Our lack of implementation is terrible news, moreover if the reason behind it is just the auto-imposed regulatory burden.

1. Please note that this extension refers only to PPCIEM and MEBL submittal, so regulated parties with activities by November 2018 are obliged to have both requirements concluded since November 2019.

ADDITIONALLY, THE GUIDELINES ESTABLISH SPECIFIC REQUIREMENTS FOR THE FOLLOWING PROCESSES AND EQUIPMENT:

- Vapor recovery systems
- Pneumatic pumps
- Compressors
- Pneumatic controllers
- Dehydrators
- Transportation and distribution pipelines
- Separators and tanks
- Well stimulation and completion operations
- Unloading liquids during oil extraction
- Destructions systems

KEY MILESTONES



* Requires an authorized Third Party’s favorable technical opinion.

** Together with the Performance Report on SASISOPA’s Implementation.

In Talanza, we advise governments and industry in improving regulation performance and compliance effectively.

ANALYSTS



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advises on the design of the regulatory compliance strategies where she oversees that each of our suggestions are 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.

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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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