

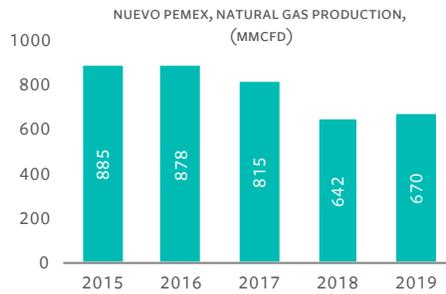
# Interconnection: Sistrangas - Mayakan

On November 15, Cenagas' General Director, Elvira Daniel Kabbaz, announced the development of a natural gas pipeline that will connect Sistrangas (managed by Cenagas) to the Mayakan pipeline (Engie); this project will allow gas from the Gulf of Mexico to reach the Yucatan Peninsula.

This **interconnection** will be the **first bidding project for transport pipelines carried out by Cenagas**. In this document, **Talanza Energy reviews how the open season process should take place**, according to applicable regulations and expected **priorities and benefits** for the **final users**.

## BACKGROUND

1. Mayakan pipeline has operated since 1999, with a length of 780 kilometers (672 miles) and a capacity of 250 million cubic feet per day (mmcf).
2. CFE holds 97% of Mayakan's capacity, while other natural gas traders hold the remaining 3%.
3. The pipeline starts in Nuevo Pemex, a Natural Gas Processing Plant (owned by Pemex), which is its sole supply source.
4. The declining on natural gas national production has affected the supply to Mayakan. On average, Pemex supplied 70-90 mmcf during 2019, barely enough for CFE to meet its demand for electric.
5. More supply is conditioned to a swap between Pemex and CFE.
6. Gas quality supplied by Pemex frequently misses standards due to high Nitrogen concentrations.

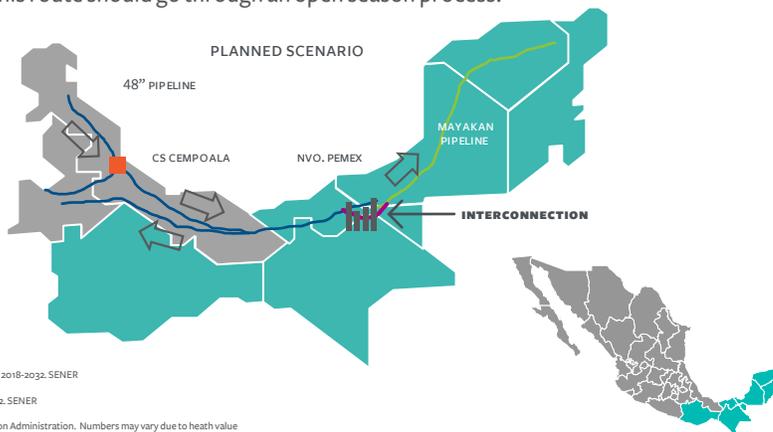


## HIGHLIGHTS FOR THE INTERCONNECTION

- A. Budget: Already authorized by the Ministry of Finance.
- B. Investment: Cenagas estimates it around 25 million dollars.
- C. Location: State of Chiapas
- D. Length: Approximately 16 kilometers (10 miles).
- E. Capacity: 1 billion cubic feet per day.
- F. Operations: The pipeline shall begin operations during the second semester of 2020.

## RELEVANT CONSIDERATIONS

1. The functionality of the interconnection depends on the completion and full operation of the adjustments to Cempoala Compression Station, that will allow for gas to flow from the North to the South of the Gulf of Mexico, and then to de Peninsula of Yucatan. **The completion of this project is expected for the first semester of 2020.**
2. The interconnection is subject to **open access not unduly discriminatory**.
3. Cenagas will have a new transport route, creating new capacity flowing from the "48' pipeline" to the start of Mayakan. This route should go through an open season process.



**Sources:**  
 Programa de Desarrollo del Sistema Eléctrico Nacional 2018-2032. SENER  
 Prospectiva de Gas L.P. 2018-2032. SENER  
 Prospectiva de Petróleo Crudo y Petrolíferos 2018-2032. SENER  
 Pronostuario de Gas Natural y Petroquímicos. SENER  
 Note: Conversion factors taken from Energy Information Administration. Numbers may vary due to heat value



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## WHAT SHOULD THE MARKET REVIEW?

### > SUPPLY

Big question: Will the **interconnection be sufficient for the Peninsula?** When a bottleneck is solved, the major pending issue could be the supply.

This project opens opportunities for traders to reserve capacity from different sources, including gas flowing from the South of Texas - Tuxpan pipeline.

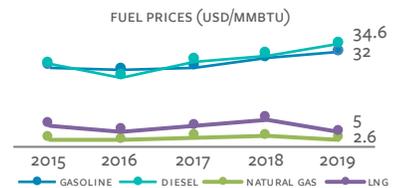
Negotiations with CFE and Pemex should come soon.

### > DEMAND

Current electrical demand is about 200 mmcf, while the industry needs are limited to barely 10 mmcf.

The President of Mexico and CFE announced interest on a new CC generation plant (70 mmcf), industrial unattended demand could reach up to 50 mmcf just by the end of this administration. Conversion from other fuels (LPG, gasoline and diesel) will depend on prompt interest of distributors to tackle those markets.

### > PRICES COMPARISON



Market participants -end users, distributors, transporters, traders, and suppliers- should understand all possible implications of this interconnection from their respective position, to take make the most of this opportunity and to prevent risks on their ventures.

In Talanza, we have successfully advised interested firms in business opportunities by giving analysis of supply, potential demand, logistics availability, and providing a regulatory compliance plan for energy projects.

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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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