



ENERGY POLICY IN
MEXICO UNDER
**PRESIDENT LÓPEZ
OBRADOR**

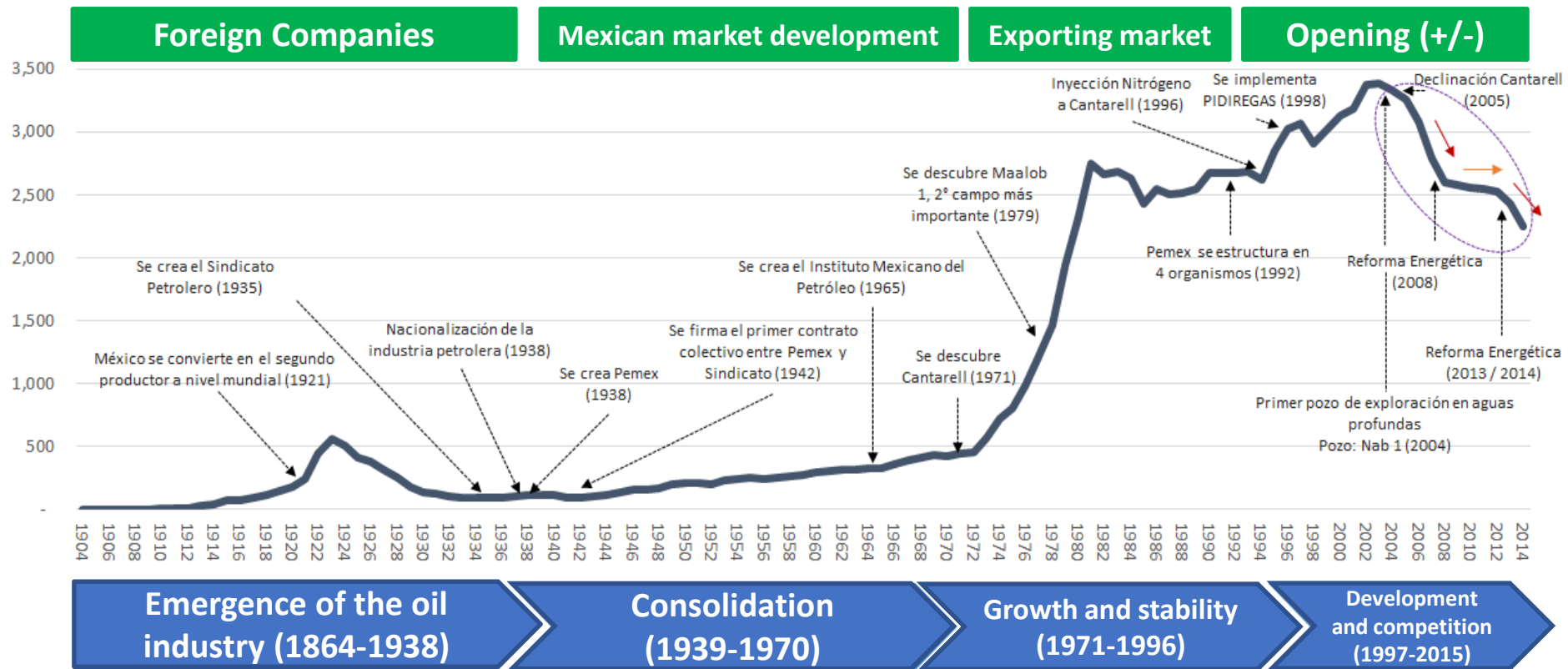
Fluvio Ruiz-Alarcón

Second Annual Latin America Energy Conference:
Market Tailwinds, Political Headwinds
Washington, D.C. October 25th 2018



México: Oil Production 1900-2015

(Thousand barrels per day)



Source: Pemex and CNH en línea: <http://www.pemex.com> / <http://www.cnh.gob.mx>

The average oil production in 2017 was **1,948 tbd** and the actual production in July 2018 was **1,840 tbd**



Smarter management of the country's declining oil resources

1. Suspend the E&P contract's biddings
2. Review the granting process and legality of the awarded contracts, particularly the licensing contracts where there was not a signing bonus request
3. Postpone Pemex's farm outs, until the scheme is modified and a long term strategic program is scheduled
4. Compensate Pemex, according to the 2013 constitutional reform, for the investments made in the areas that the Company didn't keep after Round 0
5. Increase investment in Exploration to achieve a 100% ratio for the restitution of proven reserves
6. Develop a technological effort in reduction of production costs, better oil recovery technics and a most effective use of deep water reservoirs
7. Support the Deep Water Technology Centre of the Mexican Petroleum Institute



Decrease energy dependence

1. Increase the natural gas E&P effort; and undertake fiscal adjustments and the investment needed to expand the national petrochemical industry
2. Raise the processing capacity of the Refining National System
3. Swiftly conclude the refineries reconfiguration and pending fuel improvement projects
4. Build a new refinery by the Gulf of Mexico coast
5. Evaluate the convenience of installing modular mini-refineries strategically located to satisfy regional markets
5. Increase substantially the hydrocarbons transport, storage and distribution capacity
6. Regulate the oil exports from private producers to support national supply
7. Designate PMI as the State trader of the output from producing sharing contracts



Increase the efficiency and security of the oil products and natural gas chains

- 1. Balance commercial trade of oil products aiming at reducing internal demand**
- 2. Expand and modernize the storage, transport and distribution of oil products**
- 3. Discuss the social, economical and environmental optimal taxation of fuels to reflect environmental costs and disincentive the use of cars**
- 4. Maintain a high level of taxation to help financing public transport, energy transition and conservation**
- 5. Strengthen, in a coordinated fashion, all the efforts to eliminate theft of oil products and its black market**
- 6. Expand the gas pipelines to regions that still don't have access to this fuel**



Rationalize energy consumption

1. Expand and accelerate the saving and efficient use of energy specifically in the most energy intensive sectors
2. Reduce energy consumption in the oil and power industries through higher efficiency of the transformation processes
3. Revolutionize the use of means of transport favoring collective solutions and alternative energies coordinated with urban planning and territorial developing policies





Reevaluate the role of Pemex in the development of the energy sector

1. Eliminate regulatory asymmetries for Pemex, throughout the whole hydrocarbon's value chain
2. Equip Pemex with full managerial and budgetary autonomy. Removing it from the federal government expenditures budget and giving it a national security, social responsibility and value creation mandate
3. Integrate Pemex in one enterprise and modify its corporate government to allow it to exercise its autonomy
4. Reinstate a workers representation elected by direct and secret universal suffrage from the workers



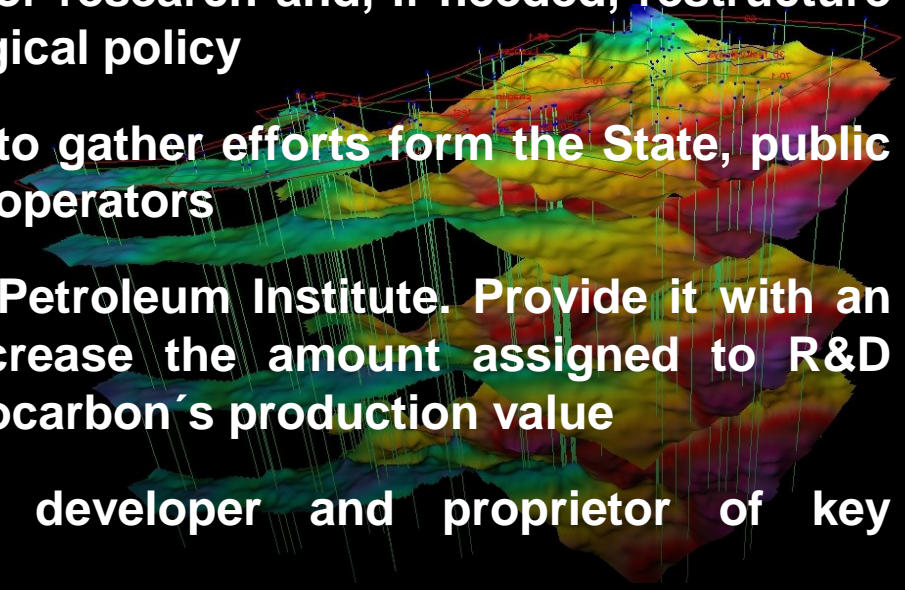
Improve transparency and accountability of activities, enterprises and regulators

1. Ensure dissemination and public consultation of contracts, assignments, permits, alliances, societies, associations, and joint ventures that the State grants or agrees with private and government enterprises or subsidiaries
2. Make available to the public in a simple and disaggregated manner, the results of oil and gas exploration and production, including investments, costs, expenditure, produced volumes, selling prices, income from commercialization and compensations of every contract and assignment
3. Integrate on a plural basis, the regulating agencies to reduce the possibility of capture by private interests
4. Review the legal powers of the Federal Economic Competition Commission in the sector



Boost R&D and training of human resources

- 1. Set a clear and consistent public policy that defines specific objectives and goals for R&D, technological innovation and training of specialized human resource**
- 2. Follow-up, from the higher level of government, the technological policy of the sector**
- 3. Evaluate the current sectorial funds for research and, if needed, restructure them aligned to the sector's technological policy**
- 4. Create a sectorial innovation system to gather efforts from the State, public and private research institutions, and operators**
- 5. Reformulate the role of the Mexican Petroleum Institute. Provide it with an emergency capital injection and increase the amount assigned to R&D financing, from 0.65 to 1% of the hydrocarbon's production value**
- 6. Promote that Pemex becomes a developer and proprietor of key technologies**





Democratize energy policy, uphold community decisions and reinforce independent unionism

- 1. Design a national energy plan enforced by the government and with the commitment from the congress to provide the needed legal and budgetary resources. The plan should stablish compulsory investments in community social development for every energy project**
- 2. Establish a binding system of queries for public consultation on energy projects**
- 3. Uphold community's decisions over keeping their land free of mining and energy infrastructure**
- 4. Promote free association in unions for the workers in the oil sector and full respect to the constitutional rights on the matter**



Recuperate the geopolitical and national security concepts and tools for the oil sector

1. Leave the International Energy Agency
2. Explore the possibility of a closer approach and better coordination with OPEC
3. Harness PMI as trader for the State's crude oil and set a unique price for the sale of hydrocarbons produced in México.
4. Determine that in case of an eventual discovery of a trans boundary field, Pemex should be the responsible operator from the Mexican side
5. Remove from the oil operators any possibility of establishing regions subtracted from the Mexican State control
6. Review the legal figure of "easement"



Accelerate the energy transition from fossil fuel to renewables

1. Replace fossil fuel for power generation. Benefit from abundant renewable sources like geothermic, wind, solar and small hydraulic
2. Incentivize power self generation through renewable sources
3. Not to use food to produce biofuels or incentivize this practice
4. Set national strategies for R&D with a long term vision avoiding dependency on foreign technologies



ENERGY POLICY IN MEXICO UNDER PRESIDENT LÓPEZ OBRADOR

Fluvio Ruiz-Alarcón

GRACIAS

Fluvio Ruiz-Alarcón

Second Annual Latin America Energy Conference: Market Tailwinds, Political Headwinds

Washington, D.C. October 25th 2018