

**PRACTICAL  
HANDBOOK AND  
INTRODUCTION TO  
MEXICO'S ENERGY  
SECTOR**

**JA**

<b>PREFACE</b> .....	<b>4</b>
<b>INTRODUCTION</b> .....	<b>5</b>
a. Background .....	5
b. Energy Reform of 2013 .....	8
c. Mexico's New Administration	



**JATA's** Practical Handbook and  
Introduction to **Mexico's** Energy Sector



The Executive branch is headed by the President of the Republic, which









---

[Redacted Table Header]			

which may significantly divert the state-owned enterprises from their current routes, except for the announcement of cash injections and partial tax reliefs to ease some of the financial pressure that both of them currently face. The most relevant news of the new Federal Administration in connection with

state company that competes in the activities of generation and marketing of electricity and related products, and provides the public services of transmission and distribution of electricity.

7. **CNH** (

appraisal of real estate that may be used for energy projects.

15. **LEG** means the

issuing permits for certain midstream and downstream projects, as well as for certain electricity industry's activities.

27. **SHCP** (*Secretaría de Hacienda y Crédito Público*), the Ministry of Finance and Public Credit, in the energy sector is in charge of setting the fiscal terms applicable to the E&P contracts.

28. **WEM** means the new Mexican Wholesale Electricity Market, a spot market created by the Energy Reform and managed by CENACE.

## OIL AND GAS

As expected right from the onset, the opening of the oil and gas sector was a highly debated and controversial issue, largely due to the role that Pemex played for decades in the country's economy, which in turn fed a widespread belief -





consisted mainly of conducting a series of bidding processes where E&P blocks are offered to domestic and international oil companies, mostly in areas where the estimated reserves are considered by the authorities as highly attractive for potential investors. These bidding processes are called "*Rondas*"





The CNH and SENER drove through a bumpy road during the first phases, learning fast of their initial mistakes, but much of the success of the

As of now, after fulfilling the appropriate requirements, any private party can freely participate in these bidding processes, whether acting individually or via consortiums with other companies. The cost of participating in these rounds has varied from phase to phase, as well as the requirements to be met and the documents finally executed with the relevant authorities. The

Mexican oil company to a foreign E&P group.

**Essentials**

The performance of upstream activities under the Mexican regulatory scheme requires the execution of an agreement with the CNH in the aforementioned terms, except for the activities of well drilling and surface surveying, which only require an authorization by the same CNH prior to their performance. In addition to the specific terms and conditions agreed with the CNH, participants must abide to a series of general rules applicable to certain types of projects. For example, the LH requires that E&P contracts with cross-border projects (under applicable law) must be for a maximum term of 10.1 (or 10) years.

condition of asserting that the ownership of the oil and hydrocarbons in the subsoil belongs to the Mexican State.





**SNAPSHOT 1.2. MEXICAN UPSTREAM SECTOR**

<b>Permitted Activities</b>	(i) Exploration and Production (E&P) (ii) Well drilling and surface surveying (iii) Services



is also managed by CENAGAS; therefore, its role as an independent system operator is crucial.

Due to the complexity inherent to the various correlated markets, the authorities initially designed an implementation period for the opening of

**SNAPSHOT 1.3. PERMITS GRANTED BY THE CRE FOR THE MIDSTREAM AND DOWNSTREAM SECTORS.**

distributors or importers, among other activities. They also now participate

**FIGURE 1.4. NATURAL GAS NATIONAL INFRASTRUCTURE**

Source: SENER with information of Pemex and CRE and others, 2018, Natural Gas Infrastructure (2018).

**SNAPSHOT 1.4. MEXICAN MIDSTREAM SECTOR**

## ELECTRICITY





are auctioned by SENER, and which may last up to thirty years. Private



activities must participate in the auctions that are organized by SENER or CFE for such purposes. Other tenders are routinely organized by CFE for the maintenance and expansion of its transmission and distribution lines and

the regulations that were issued in connection with the corporate restructure of CFE were struck down, mostly to allow for the horizontal reintegration of CFE's generation subsidiaries.

**SNAPSHOT 2.2. MEXICAN ELECTRICITY SECTOR**

<b>Permitted Activities</b>	(i) Generation of electricity (ii) Supply of electricity (iii) Marketing of electricity (iv) Financing, installation, maintenance, managing, operation and

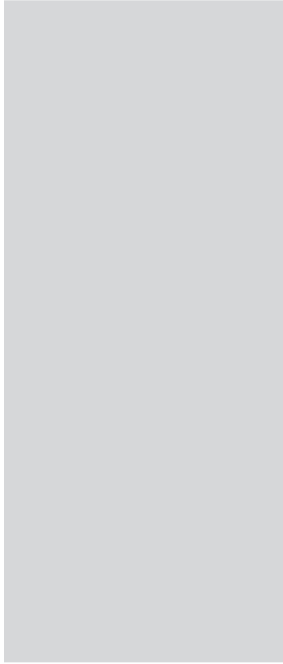
## b. Wholesale Electricity Market

to provide their supply service at the WEM through auctions. Conversely, qualified users with a consumption of or greater than 5 MW can opt to directly participate in





**SNAPSHOT 2.4. MEXICAN WHOLESALE ELECTRICITY MARKET**



### c. Clean Energies

The Energy Reform is the result of 60 years of cross-agency and

**FIGURE 2.2. GENERATION OF ELECTRICITY IN MEXICO, BY SOURCE, 2017**

Source: SENER, *PRODESEN* 2018.

**JATA's** Practical Handbook and  
Introduction to **Mexico's** Energy Sector

exploration of these resources were granted, drastically increasing the country's installed capacity for such resource.

Regardless of the plans of the new Federal Administration for the electricity sector and more specifically for renewable energy, it is expected that the trend in favor of clean technologies will continue as there is certainly a need to increase the development and operation of renewable projects in the country with the intention of mitigating climate change and complying

## OTHER LEGAL CONSIDERATIONS

- a. Use of Land and Social Impact in Mexico.







tailored a couple of times ever since. The second vehicle, the CerPis, short for *Certificados bursátiles fiduciarios de proyectos de inversión*, were introduced to the legal framework in December of 2015. An additional reform to the







related to the granting of permits and authorizations within the sector. The energy regulatory framework obliges am11 109b5e(v)511 (e g agenci(b)7 (he s comp o)9.yrizations )2

ordinary sessions of its governing body.

CENACE, as the independent operator of Mexico's national electric system and of the WEM, publishes real-time information on electricity generation and demand across the national electric system, as well as all





**Important Note**



JAT Abogados, LLC.  
1700 Post Oak Blvd.  
2 BLVD Place.  
Suite 600.

---



J.