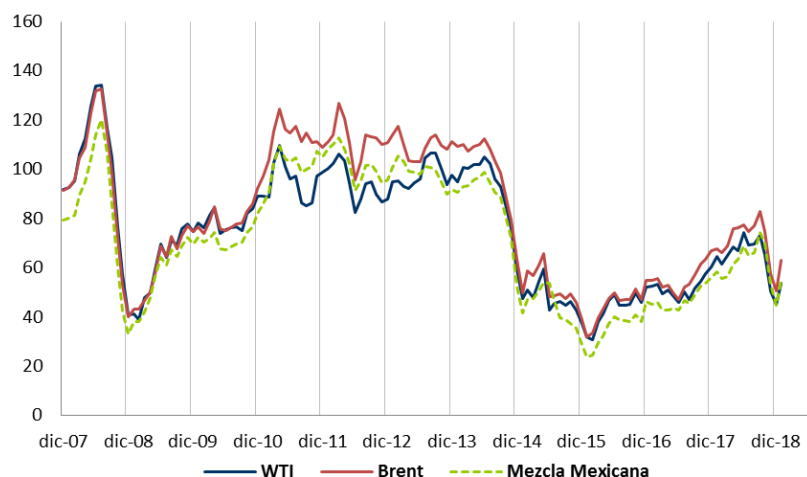


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**Crude oil prices**


Crude oil Price* US/BD	WTI	55.32
	BRENT	64.02
	MME	57.05
NG price* US/MMBTU	Henry Hub 2.84	
Mx crude production MMbd	1.709 (Dec.-18)	
Mx NG production MMpcd	4,857 (Dec.- 18)	
US crude production MMbd	11.90 (Nov.-18)	
FX Rate**	19.12	

\* 25/02/2019      \*\*22/01/2019  
Source: EIA, Pemex BDI, Banxico, and CNH

## Oil & Gas

### Pemex 4Q – 2018 results – Pemex, Reuters

Mexican state oil company Pemex reported a loss of 125.5 billion pesos (USD \$6.4 billion) for the fourth quarter, narrowing its loss from the same period in 2017, as the firm's finances face renewed scrutiny following a credit downgrade last month.

During 2018, total sales increased by 20.2%, as compared to 2017, mainly as a result of:

- 35.8% increase in export sales, mainly due to the recovery in international crude oil prices from an average of USD 46.79 per barrel in 2017 to USD 61.34 per barrel in 2018.
- 11.8% increase in domestic sales, mainly gasolines and diesel, as a consequence of international prices' recovery, notwithstanding 4.2% and 9.3% decreases in domestic sales of gasolines and diesel, respectively.

Crude oil production averaged 1,833 Mbd in 2018. As compared to 2017, production decreased by 115 Mbd, or 5.9%, primarily due to an increase in the fractional water flow of wells at the Xanab field.

Natural gas production averaged 3,886 MMcfd, 1.6%, it represents a 7.6% decrease as compared to natural gas production in 2017. This decrease can be explained by natural decline at mature fields and an increase in the fractional water flow of wells of fields located in the Abkatún-Pol-Chuc, Bellota-Jujo, Samaria-Luna and Macuspana-Muspac.

Crude processing at the company's domestic refineries stood at 612,000 bpd, marking a utilization rate of just 38%. Company officials said they expect to begin the construction of a new oil

refinery by the end of 2019 and that crude production will dip further to 1.7 million bpd by the end of the year.

The company sees new streams of production coming on line by the end of 2019 as 20 new drilling projects are launched between March and May, officials said on a conference call. Pemex strengthened its shallow waters potential during 2018, with Manik-101A and Mulach-1. They are estimated to incorporate 180 MMboe in 3P reserves.

On November 2018, after carrying out technical trials on Ixachi, located in Tierra Blanca, Veracruz, Pemex announced that the field has a greater extension than the one reported at its discovery. Ixachi's 3P reserves total over 1 billion boe, and preliminary studies estimate Ixachi could contribute to Pemex's production with approximately 80 Mbd of condensate and over 700 MMcfd of gas.

### **Mexico's Pemex crude output lowest since records began – Reuters**

Mexico's Pemex produced 1.62 million barrels of crude per day in January, less than any month in almost three decades. The company's crude output for the month was the lowest since at least 1990, when Pemex's publicly available records begin.

The firm's crude oil output has declined for 14 consecutive years since hitting a peak of 3.4 million bpd in 2004, as Mexico's most prolific fields have dried up and new ones to replace them have not been discovered.

The company's crude oil exports also fell in January to total 1.07 million bpd, down nearly 10% from 2018 average shipments of 1.18 million bpd. President Andres Manuel Lopez Obrador, who took office in December and ran on a promise of strengthening the ailing company, long a national treasure, has said he will grow its output to around 2.5 million bpd by the end of his six-year term in 2024.

Lopez Obrador has yet to fully outline how Pemex alone will be able to reverse the long-standing slide, but he did push through a larger budget for the company this year, in addition to a fresh capital injection from the government and lower tax bill. The veteran leftist has canceled oil and gas auctions open to private and foreign oil companies and he has said he will not allow Pemex to enter into any additional near-term joint venture partnerships with other firms.

### **Total becomes anchor customer in Mexico's Tuxpan international fluids terminal– Pipeline Oil & Gas Magazine**

France's Total has signed an agreement with Tuxpan Port Terminal and Monterra Energy to become the anchor customer of the Tuxpan International Fluids Terminal (TIFT), a refined oil products terminal in Mexico.

Total, through its subsidiary Total Atlantic Trading Mexico, will have the largest capacity in this terminal, strategically located on the shores of the State of Veracruz. The Tuxpan Terminal is set to start operations in the second semester of 2020. With important storage capacity and better access to the Mexican market, Total will directly provide its high-quality refined products, mainly diesel and gasoline, to customers with improved continuity, reliability and competitiveness.

Total has partnered with Gasored since October 2017 and has opened more than 100 service stations over the last year, in line with its initial planning. This network will reach 250 Total branded service stations by the end of 2019, with the objective to reach more than 400 stations by the end of 2020.

### **HST Fuel terminal construction ready to start in Mexico – *Oil and Gas Magazine***

Hydrocarbon Storage Terminal “HST” will begin construction of a fuel storage and distribution terminal in the Valley of Mexico in March. In partnership with the Spanish CLH, the terminal will have a capacity to store 600 thousand barrels of fuel, which would double the storage capacity in the Valley of Mexico.

The project contemplates two phases, which when completed will allow storing 800 thousand barrels of gasoline. The terminal will store 60% Regular gasoline, 30% Diesel and 10% Premium.

### **Pemex initiates the process of financial consolidation to rescue Mexico’s energy sovereignty**

#### **– *Pemex Press Release***

With the strengthening program announced by the Mexican Government, Pemex begins a financial consolidation cycle that will allow for financial improvement, ending corruption, and, above all, increasing investment without subscribing debt, the company’s CEO, Octavio Romero Oropeza pointed out and mentioned that, as part of these measures, Pemex will have additional income of \$107 billion pesos, thus injecting capital for \$25 billion pesos, which will result in a gradual reduction of the company’s tax burden for a cumulative amount of \$15 billion pesos per year, which will reach \$90 billion pesos by the end of the six-year presidential term.

Additionally, a monetization of promissory notes for labor liability will account for \$35 billion pesos, and an extra income for \$32 billion pesos is expected to result from fighting fuel theft in the country. With the strengthening program, a cycle of financial consolidation will be initiated, beginning this year with a process that will turn Pemex into a productive, healthy company. “We will have development, the likes of which we haven’t seen in many years. Throughout this process, 20 new fields will be developed, 16 in shallow waters and four onshore,” he added.

Pemex CFO, Alberto Velázquez Garcia, reported that this fiscal incentive will help the company to increase its 2018 investment of \$204 billion pesos to \$288 billion pesos in 2019, almost 36% more in real terms. “With these new measures, the support from the Government of the Republic, the company’s financial discipline, controlled expenses and the austerity policies already in place, we will not subscribe any debt in 2019; for the first time in 10 years, Pemex will not contract new debt”.

### **Mexico’s IEnova, CFE to work toward reopening Guaymas-El Oro pipeline – *Natural Gas Intel***

Infraestructura Energética Nova “IEnova” chairman Carlos Ruiz Sacristan and Comisión Federal de Electricidad “CFE” have agreed to jointly work toward re-opening a section of IEnova’s Sonora natural gas pipeline in Western Mexico that has been inactive since August 2017.

CFE is Mexico’s state-owned power utility and the anchor customer of the Sonora pipeline, which includes the 503-kilometer (313-mile) Sásabe-Guaymas and 328-kilometer (204-mile) Guaymas-El Oro segments. The Guaymas-El Oro segment remains shut amid a still-unresolved legal dispute with one of the area’s eight Yaqui indigenous communities. The other seven gave their blessing to

the pipeline, which entered operation in 2017, but was subsequently sabotaged that same year by the dissenting Yaqui faction.

During IEnova's fourth quarter earnings call, Ruiz Sacristan told analysts that he and Bartlett had a "very cordial discussion about Guaymas-El Oro. We agreed with CFE that our priority is to work together to place this pipeline back into service." Bartlett has held meetings with executives to discuss a path forward for their stalled projects.

The expected in-service date of another delayed project, the Sur de Texas-Tuxpan marine pipeline, has been pushed to April 2019. Estimated capital expenditure for the project, which is a joint-venture with TransCanada, has risen to \$2.48 billion from \$2.36 billion, Molina said, citing that the cost overruns and delay are mainly due to unfavorable weather conditions that have impeded the final tie-ins of the pipe's offshore section.

IEnova said it expects to reach a final investment decision in late 2019 for the Energía Costa Azul natural gas liquefaction terminal on the Pacific coast. The company is targeting potential first LNG deliveries in 2023 for the project's first phase, which is expected to produce approximately 2.4 million tons per annum of LNG.

IEnova and Sempra LNG & Midstream signed three heads of agreement over the last year with affiliates of Total S.A., Mitsui & Co. Ltd., and Tokyo Gas Co., Ltd., for the full capacity of ECA's first phase. Each firm will potentially purchase 0.8 Mtpa.

### **AMLO directs Mexico's CFE to seek renegotiation of natural gas supply contracts – *Natural Gas Intel***

Mexican state power utility Comisión Federal de Electricidad "CFE" will seek to renegotiate the take-or-pay clauses of contracts that it holds with natural gas pipeline developers, CEO Manuel Bartlett said.

CFE is the anchor customer for most of the 4,639 kilometers of natural gas pipelines added by the private sector in Mexico since 2012 and for the 3,152 kilometers of projects either under construction or expected to enter service shortly. The expansion of the pipeline grid, which mostly occurred under the previous government, was meant to facilitate a massive shift from liquid fuels to natural gas as a cleaner and cheaper power generation source, and to take advantage of Mexico's proximity to cheap and abundant shale gas produced in the United States.

However, Bartlett and President Andrés Manuel López Obrador, who took office Dec. 1, have since indicated that CFE will instead prioritize the modernization of the country's existing hydroelectric, diesel, fuel oil and coal-fired plants to keep up with rising power demand.

During López Obrador's morning press conference, both he and Bartlett criticized CFE's restructuring under Mexico's 2013 constitutional energy reform, legislation which ended the state's monopoly over the energy sector and questioned why CFEnergía must make fixed capacity and force majeure payments to pipeline developers such as TransCanada Corp., IEnova and Carso Energy, all companies with pipeline projects facing delays due to local opposition and legal challenges.

“If the pipelines can’t be built, as is happening with seven large gas pipelines, we have to pay the developers, even though there is no gas,” AMLO said. “There are seven delayed gas pipelines that will mean an outlay over the medium term of \$21 billion by the CFE.”

TransCanada and IEnova are joint developers of the approximately 800-kilometer, 42-inch diameter Sur de Texas-Tuxpan undersea gas pipeline, which is scheduled to enter service over the coming weeks and is backed by a 25-year supply agreement with CFE. However, the startup dates of TransCanada’s Tuxpan-Tula and Tula-Villa de Reyes pipelines, which are essential for the undersea pipeline to operate at its full 2.6 Bcf/d capacity, remain unknown due to an impasse between TransCanada and the government of Hidalgo state.

Carso Energy, meanwhile, recently pushed back the expected in-service date of its 472 MMcf/d Samalayuca-Sasabe pipeline to May 2019 from December 2018, according to Genscape Inc. senior natural gas analyst Rick Margolin.

“If these contracts continue, CFE would truly be in a situation of collapse,” Bartlett said, stressing the urgency of “a reconstruction of these contracts that allows the transmission of gas to our country, but without these prices and these sanctions that are absolutely absurd for the CFE.” “IEnova has a pipeline that entered in operation in May 2017,” the company said. “However, the service to CFE was interrupted by acts of sabotage suffered in August of 2017. The acts were reported to federal and local authorities.”

## Power/Renewable Energy

### **Huexca’s thermoelectric plant public consultation – *Renewable Energy Mexico***

AMLO administration executed the public consultation that settled the fate of Huexca’s thermoelectric plant. With the participation of 53,532 voters from Puebla, Morelos and Tlaxcala states, the project was approved by a majority of 59.5%. President López Obrador has previously said that this facility could power the whole state. The president had said previously that citizens would enjoy cheaper electricity if the plant, located in Huexca, Morelos, were put into operation but what is the current status of energy generation in Morelos and what does this plant offer to the region’s electricity system?

Huexca’s thermoelectric plant is part of the Morelos Integral Project. This proposal is composed of a 620MW combined cycle plant, a 150km natural gas pipeline that passes through Tlaxcala, Puebla and Morelos states, a 20km transmission line that will interconnect the power facility with Yautepec’s substation and a 10km aqueduct that will deliver water to power the engine from Cuautla’s river stream.

According to the PRODESEN 2018-32, Morelos’ energy generation accounted for 0.1% of the country’s electricity share in 2017, locating it in the Top 5 states that generate the least amount of energy, together with Aguascalientes, Quintana Roo, Zacatecas and Tlaxcala. That same year, the region delivered 403GWh, a 44.4% increase from 2016.



Some communities in the area have been fighting the project for several years, and will probably continue to do so. An umbrella group of opponents rejected the consultation approach when it was announced, and said they would remain opposed regardless of the vote's outcome.

### **CFE cancels Ixtepec-Yautepec transmission line tender – *Renewable Energy Mexico***

CFE announced the cancellation of the open tender for the construction of the high voltage DC Ixtepec-Yautepec transmission line. The project was proposed by the prior government of Enrique Peña Nieto in February 2018. The first DC Transmission Line was designed to have the capacity to transport up to 3,000 MW over 500 kV. The project represented an investment estimated at US \$1.7 billion and was scheduled to enter into commercial operation in the year 2021. It was contemplated under a BOT scheme, with equal payments for 25 years from beginning of operations.

The move is significant due to the concentration of electricity from renewable sources across Oaxaca's Isthmus of Tehuantepec. Given the lack of storage capacity, the project was designed to carry the surplus electricity from the already-saturated Isthmus to the central region, which experiences dire shortages. The project would pass through six states: Mexico City, the State of Mexico, Morelos, Oaxaca, Puebla and Veracruz. Due to the natural resources held by Oaxaca in terms of both wind power and solar irradiation, approximately 90% of clean energy in the country is generated in the Isthmus of Tehuantepec. According to data from the Government of Oaxaca, it has 24 operating parks with an installed capacity of 2,390 MW and more than 1,451 wind turbines of varying capacities.

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