



April, 2022

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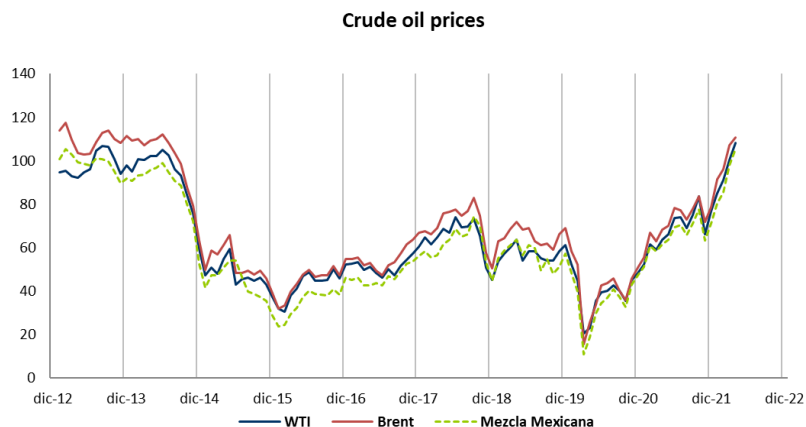
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This month in review

* 27/04/2022 **26/04/2022

Crude oil price MME US/BD	98.89
NG price HH* US/MMBTU	6.89
Mx crude production MMbd – March	1.62
Mx NG production MMpcd – March	4,801
US crude production MMbd - January	11.05
FX Rate*	20.47



Source: EIA, El Reforma, Pemex, Banxico, and CNH

Oil & Gas - Mexico

Mexican Congress rejects more state control over energy industry – WSJ

Mexico's lower house rejected constitutional amendments proposed by Mr. López Obrador to give the country's state-owned power company control over the electricity industry in a 275-223 vote, short of the two-thirds majority needed to change Mexico's constitution. All opposition parties voted against the bill, while Mr. López Obrador's Morena party and two smaller allies supported it.

In opposing the bill, the conservative National Action Party and the Institutional Revolutionary Party, or PRI, joined forces to thwart the most significant piece of legislation introduced by Mr. López Obrador since he took office in 2018. The bill would have rolled back a large part of the 2013 opening of Mexico's electricity and oil industries to foreign investment, which led to billions of dollars of investment in power plants, oil exploration and gas stations by international energy companies.

Mr. López Obrador has long criticized the 2013 changes, arguing that the rules give unfair advantage to private and foreign companies over state-owned enterprises like power utility CFE and oil company Pemex, which have lost market share. Since taking office, he has focused his efforts on regaining state control in the energy sector, which he sees as a symbol of Mexico's sovereignty. Mr. López Obrador's efforts to regain state control in the energy sector have unnerved investors and stirred trade tensions with the U.S. and other key trading partners. U.S. Ambassador to Mexico Ken Salazar said earlier this month that Mr. López Obrador's policies could lead to "endless litigation" by affected companies and "chill U.S. private investment in Mexico." Mr. López Obrador has so far avoided making deals with the opposition to salvage his legislative agenda.

The country's opposition leaders have said that they will block other initiatives to change the constitution, such as a planned overhaul of the country's electoral agency. Mr. López Obrador's Morena party and its allies have a majority in both the lower house and the senate but are far from the qualified majority needed for constitutional changes. Mr. López Obrador, whose six-year term runs through September 2024, plans soon to propose constitutional changes to overhaul the country's independent electoral agency, which he has strongly criticized.

The constitutional bill rejected sought to give the CFE complete control of the electricity market, guaranteeing that it would supply at least 54% of the country's power before electricity from private generators was placed on the grid, including cheaper solar and wind power. It also aimed to eliminate independent regulatory agencies and move their responsibilities to the energy ministry.

Mexico tells Pemex 'you're on your own' to cover debt payments – *Bloomberg*

Pemex will resume paying its debt maturities this year, ending a government policy of covering its amortizations to help the beleaguered driller shore up its finances, according to a Finance Ministry official.

The Finance Ministry no longer needs to make debt payments because of the extra revenue Pemex is getting from higher oil prices, according to the official, who asked not to be named discussing a private matter. The official added that coordination between the Finance Ministry and Pemex has vastly improved from that of previous years. Pemex, the world's most indebted oil producer, owes about \$2.5 billion in principal payments this year, and another \$2.5 billion in interest. All together, the company is on the hook for \$4.99 billion in payments to bondholders in the remainder of 2022. That includes a €1 billion bond due on this month.

While Pemex is seeking to increase oil production and exports to take advantage of higher international prices, the company is under pressure to expand its refining output under a nationalist goal set by the president to make Mexico self-sufficient in fuel production. The president has pledged to support Pemex, and return the indebted state driller to its former glory by shedding Mexico's dependence on foreign interests. Pemex officials had previously said that they expected the government to make further amortization payments, potentially through the end of Lopez Obrador's six-year term in 2024. Pemex received an amortization payment from the government in January, but further payments hadn't been scheduled.

Eni doubles Mexico's Area 1 production with FPSO – *Bnamericas*

After experiencing a minor hiccup, it appears Italy's Eni has commercial oil production with its FPSO up and running in Mexico's Area 1 with output doubling from February to March.

Eni first put into operation the Miamte FPSO at its Amoca, Miztón and Tecoalli fields at the end of February. And March data from Mexico's hydrocarbons regulator CNH shows the company managed to increase its output at the site by 102% last month from February. According to CNH, production in the three fields during March totaled 18,881b/d, compared to 9,336b/d in February. Eni was the first international player to bring early production online in 2019 with Area 1's Amoca-Miztón-Tecoalli shallow water fields, just off the coast of Tabasco state in the Gulf of Mexico.

And on April 19, it became the first international operator to export oil from a complex offshore project in Mexican waters since the 2013-14 energy reforms that partially opened up the sector. Production was briefly placed on hold in March on an export permitting issue. The company had already acquired a valid export permit from the energy ministry, but had yet to secure a separate permit from customs. The FPSO has capacity of 90,000b/d oil and 75Mf3/d of natural gas.

According to a report in industry outlet Oil Field Technology, the full development of Area 1 will include 33 wells connected to three wellhead platforms plus one monopod, in addition to the FPSO. For now, the first two wellhead platforms are in operation in the Mitzón and Amoca fields while additional activities to develop Tecoalli and Amoca are in motion.

Mexican crude output drops again, but private production on the up – *Bnamericas*

CNH said crude production fell for a third straight month in March, dipping to 1.625Mb/d from an average 1.634Mb/d in February, as the Russia-Ukraine war propelled global prices to highs not seen since 2014.

CNH's preliminary report for March, showed the 9,000b/d drop consisting of a 16,000b/d decline from assignments to national oil company Pemex's E&P unit PEP, as well as a 1,000b/d drop in contracts migrated to PEP after the 2013-2014 energy reforms. Production under private contracts won during Mexico's oil rounds (2015-2017), meanwhile, jumped 8,000b/d to 73,000b/d in March from 65,000b/d in February, marking at least six months of gains. By comparison, contracts from the rounds produced only 41,000b/d in September 2021, according to a CNH report.

Natural gas production reached 4.802Bf3/d on average in March, up from 4.674Bf3/d in February, reaching the highest level recorded since March 2021. Gas produced at PEP assignments grew to 4.545Bf3/d from 4.422Bf3/d in February. PEP gas production has held steady at around 4.5Bf3/d for the last seven months. Gas produced at PEP's migrated contracts fell to 124Mf3/d from 127Mf3/d in February.

Private sector production under contracts from the oil and gas rounds continued to climb in March, rising to 133Mf3/d from 125Mf3/d, on a steady upward track since reporting output of 95Mf3/d in September 2021.

PEP opened a tender for the construction of three NG pipelines – *Oil and Gas Magazine*

PEP opened a tender for the construction of three natural gas pipelines totaling 65.2km in Veracruz. The largest of 51km will transport production from the Perdiz asset to the Matapionche gas processing center near the town of Cotaxtla. A second of 14km will connect the Ixachi asset to the Papan measurement station. And the third is a 0.2km branch of the same station connecting it to the Ciudad Pemex – Venta del Carpio pipeline. The contest was originally published in November of last year and was declared void.

According to the tender rules, offers will be opened on May 18 and the winner unveiled on June 8. Contracts will be signed within 10 days of the awarding.

Diavaz to invest USD \$54 million in field development in Chiapas – CNH

CNH authorized the modification of the development plan for Diavaz Offshore, regarding contract CNH-R01-Lo3-A6/2015, located in the southwestern region of Mexico, northwest of the state of Chiapas.

The Modification of the plan derives from the number of wells to be drilled, from a variation in the volume of gas to be produced in two years, as a consequence of the closure of production due to a fortuitous event, as well as from the increase in the total approved investment, derived from the new strategy envisaged.

The scope of the development plan for the period 2022-2034, expect to recover a volume of 1.1 million barrels of condensate and 34.1 billion cubic feet of natural gas, carrying out five well drillings, eight completions, five major repairs, 18 minor repairs and 21 plugging. The total cost will be USD \$54.04 million, of which USD \$25.47 million will be allocated to Investment and \$ USD 28.57 million will be for operating expenses.

CNH approves 2 new onshore spudding requests – CNH

CNH has approved spudding of two onshore exploration wells with work expected to start in May and June.

The regulator allowed the exploration and production arm of national oil company Pemex, PEP, to spud its second Chucox exploration well in Tabasco state.

The well is located in the 2M-Cuichapa concession and would take two months to complete, according to CNH. It would complement the company's activities at several nearby wells, including Ixcatlán, Gavilán and Chaya, and especially the previous Chucox 1 exploration well. PEP expects to find 5.67Mboe (million barrels of oil equivalent) of new prospective resources.

CNH also gave the green light to a request by Newpek Exploración y Extracción to spud the Treviño appraisal well to study a recent discovery made in Tamaulipas state. The company seeks to confirm contingent resources totaling 5.9Mboe over 33 days of work. Additionally, the commission recommended not approving a plan being assessed by the energy ministry to modify two Pemex-operated areas in Tabasco state in light of a recent discovery being potentially shared by both concessions.

The onshore areas in question are 2M-Campo Madrefil and M-Campo Paché in the Sureste basin, but according to CNH, information from the Guineo exploration well was not conclusive enough to make the requested adjustments.

Hokchi Energy to invest USD \$52.8 million in field evaluation in Tabasco – CNH

CNH approved Hokchi Energy to modify the evaluation program associated with the discovery of the Xaxamani-2EXP well, contract CNH-R03-Lo1-AS-CS-15/2018. 503 / 5.000. It is a shared production contract, located in the marine portion of the Cuencas del Sureste, off the coast of the state of Veracruz.

The Modification to the evaluation program derives from technical changes, as well as from the variation in the number of wells to be drilled. The objective is to evaluate the deposits associated with the Xaxamani discovery. Hokchi will carry out studies in the evaluation area, the drilling of Xaxamani-4DEL and Xaxamani-5DEL delineation wells, as well as a pressure-production test in the latter prospect.

With the modification, the investment program is estimated at USD \$52.80 million, of which 90% will be allocated to drilling, and the remaining 10% is distributed in general activities, 3.0%; safety and environment, 2.4%; geophysics, reservoir engineering, and other engineering, with 1.4% each, and geology, 0.4%.

Pemex will invest USD \$54.5 million in Veracruz in the evaluation of Tum – CNH

CNH, approved the evaluation program, presented by Pemex PEP, regarding the Tum-1EXP discovery, associated with Assignment AE-0124-M-Llave, located in the southern zone of the state of Veracruz.

The activities to be carried out between April 2022 and February 2023 are: drilling (Tum-1DEL) and a well completion, a conventional pressure-production test and the construction of an oil and gas pipeline. Pemex plans to make investments for USD 54.55 million.

Eni offloads and exports first oil cargo in Mexico – *Eni Press Release*

The first cargo from MIAMTE FPSO, operating at the Miztón, Amoca and Tecoalli fields in Area 1, Gulf of Mexico, was successfully offloaded and exported. This achievement marks an important milestone for the oil and gas sector in Mexico, being Eni the first international energy company to develop a complex offshore project being able to export the oil to international market.

The first offloading and export from MIAMTE FPSO comes following early production from Miztón in June 2019 and after less than 3.5 years from the Final Investment Decision of Area 1 Project. This fast-track development has been possible thanks to the full alignment between the Mexican Government, the relevant local authorities and Eni, and confirms the company's commitment to meet project schedule and contractual obligations, actively supporting the Country in the implementation of its energy development plan.

MIAMTE FPSO has a crude oil treatment capacity of 90 thousand b/d, a crude oil storage capacity of 700,000 barrels and a gas treatment capacity of 75 million standard cubic feet per day and it was designed with the best energy efficiency technologies as well as a zero-flaring philosophy. It reached Mexico early January 2022 and, following the completion of the integrated commissioning activities, started operations on February 23rd.

The full development of Area 1 will include 33 wells connected to 3 wellhead platforms plus 1 monopod, in addition to the FPSO. The full development of Area 1 will include 33 wells connected to 3 wellhead platforms plus 1 monopod, in addition to the FPSO. Presently the first 2 wellhead platforms are in operations on Miztón and Amoca fields while further activities for the development of Tecoalli and Amoca are underway. Eni currently holds 100% share in Area 1 and interests in other seven exploration and production blocks (five as an Operator), all located in the Sureste Basin in the Gulf of Mexico.

U.S. fuel oil imports from Latin America jump ahead of Russia wind-down – *Reuters*

Record amounts of fuel oil from Latin America arrived in the United States in March, as refiners sought alternatives to Russian feedstocks ahead of Washington's April 22 deadline to end Russian oil imports.

US Gulf Coast refiners that rely on fuel oil to replace heavy crude were on the lookout for alternative supply when US President Joe Biden imposed a 45-day ban on Russian crude and processed goods. Last year, Russia supplied almost a quarter of the 524,400 barrels per day of fuel oil imported by the United States. It also delivered 200,000 barrels per day of oil, mostly to refiners on the East Coast of the United States.

According to customs statistics, Russia's share of fuel oil, blendstock for fuel oil, and vacuum gasoil imports decreased to 20% last month, while Latin American nations – led by Mexico – delivered 35% of imports, up from 20% last year. According to customs statistics, Mexico, which has increased fuel oil exports in recent years, accounted for 26% of U.S. fuel oil imports in March, compared to 18% in 2021.

At least three tankers carrying fuel oil and oil byproducts from Mexico have docked at U.S. ports this month, with another on the way, according to customs and Refinitiv tanker tracking data. A request for comment from Pemex was not answered.

Power/Renewable Energy – Mexico

CFE looking for firm to develop natural gas pipeline in Baja California – *NGI*

CFE has launched a tender for natural gas transport infrastructure in Baja California state. CFE is looking for the line to start at either the Sásabe-Guaymas pipeline in Caborca, Sonora or at the SoCal-Ehrenberg interconnection on the El Paso Natural Gas pipeline in Ehrenberg, Arizona. From there, the gas would be directed to gas-fired power plants throughout Baja California.

Gas would originate in the United States. The transport system would need a capacity of 600 MMcf/d and service would be under a levelized rate for 25 years. CFE is looking for at least 280 MMcf/d of the service to start in February 2024. The second phase requiring 320 MMcf/d of additional capacity would be for 2028.

CFE's international marketing subsidiaries CFE Energía and/or CFE Internacional would serve as the anchor clients on the pipeline. They would look for the best transport rates along with the best technical and operational alternatives in picking a winner. The developers would be responsible for acquiring all the relevant governmental permits and rights of way for route usage. The pipeline could also be an extension of lenova's Rosalito pipeline which links directly with U.S. pipelines, according to Gadex energy consultant Eduardo Prud'homme. It could also serve to feed natural gas needs at the Energía Costa Azul liquefaction plant in Ensenada. Sempra's 3.25 million metric tons/year liquefied natural gas Phase 1 terminal is expected online in 2024. A second-phase 12 mmt/y train could also be developed at the site.

SEMARNAT reverses Iberdrola's rejects Mérida combined cycle power plant – *Oil and Gas Magazine*

The Ministry of Environment and Natural Resources (SEMARNAT) dealt a setback to the company Iberdrola in Yucatan, since the dependency assures that the project Mérida Combined Cycle Power Plant does not comply with environmental regulations. Despite the fact that Iberdrola presented the environmental impact study in January 2021, SEMARNAT rejected this proposal, which represented an investment of eight thousand 400 million pesos in the central region of Yucatan.

The resolution specified that the project fails to comply with various environmental provisions set forth in the Yucatan Ecological and Territorial Ordinance programs, and the Kanasín Municipal Urban Development, as well as the General Law of the Ecological Balance and Environmental Protection.

Iberdrola's project in the Mérida metropolitan area consists of the construction and operation of a combined cycle plant with natural gas, with a maximum net electricity generation capacity of more than 579 MW. SEMARNAT pointed out that the area of 31.2 hectares, where the project is planned to be developed, is located in an unstable ecological region, even indicating that the plan lacks a proposal for the rescue and relocation of flora and fauna.

However, SEMARNAT specifies that the company has the right to promote the project again. It must be remembered that the president AMLO has accused Iberdrola of abusing the nation with contracts that were granted in past administrations at the expense of the country's resources.

Mexico PV installers contending with rising costs, price war – *Bnamericas*

Rising costs and complicated supply chains hinder business for PV solar developers in Mexico, even though policy interventions that prevented private solar and wind power investment are losing force.

Adrián Díaz, of photovoltaic industry association Amif, and Gilberto Sánchez Nogueira, of solar energy association Anes, told energy news outlet *Energía a Debate* that prices on crucial PV inputs like silicon, aluminum, or glass rose around 20% in the last two years. Both said global supply chain disruptions largely resulting from the pandemic have also affected materials tied to PV development.

"PV modules have seen costs increase since 2020, not only because of the issue of aluminum, but because costs for silicon and glass, which are essential components, have increased," said Sánchez. He added shipping companies have been overwhelmed during the pandemic, and several times containers were ready to ship at ports, but cargo vessels could not dock. Conversely, vessels sometimes waited at docks for long periods before cargos were ready. Worse, most inputs for modules come from China, Sánchez said, where fresh COVID-19 lockdowns were imposed, while many other countries have relaxed restrictions.

Díaz said PV suppliers have held the cost per installed panel at 10,000 pesos to 14,000 pesos (USD \$500-700), but the level pricing was more related to intense competition among installers and their informal supply chain through which they maintained stockpiles. Sánchez said business boiled down to which companies were most willing or able to sacrifice profit and quality of installations to remain competitive.

Sempra signs MOU with CFE for development of LNG projects – *Mexico Business News*

CFE and Sempra Infrastructure signed a memorandum of understanding for the development of several natural gas projects, as well as for the negotiation of contracts to use surplus natural gas transport capacity. The projects include the Vista Pacifico liquefied natural gas liquefaction project in Topolobampo, Sinaloa, a natural gas regasification project in La Paz, Baja California and the renewal of operations of the Guaymas-El Oro pipeline in Sonora.

The projects will allow CFE to optimize excess natural gas and pipeline capacity between Texas and Topolobampo, while increasing supply toward its power plants in Baja California Sur. The initiatives boost President AMLO's commitment to supply the state with low-cost electricity and lower-emission fuels and strengthen CFE's position in global LNG markets.

Guaymas-El Oro, part of Sempra's Sonora pipeline system, has been inactive since 2017 due to a dispute with the Indigenous Yaqui community. The MOU addresses the pipeline's reactivation via a proposed re-routing based on a mutual understanding between the Yaqui community and CFE. The new route allows CFE to supply natural gas to industrial, commercial and residential markets in the Pacific Coast of Mexico and Baja California Sur, as well as to the Vista Pacifico LNG facility.

Sempra Infrastructure is a subsidiary of the US energy company Sempra, presented in Mexico in April 2021 on the back of a merger of IEnova and Sempra's LNG arm. The Vista Pacifico LNG liquefaction project in Topolobampo adds to Sempra's Energia Costa Azul LNG venture, making it its second LNG project in Mexico. When finished, Vista Pacifico would export about 4 million tons of LNG per year.

The MOU follows a CFE announcement in January regarding plans to launch multiple tenders for natural gas infrastructure toward making excess pipeline capacity on the US-Mexico border available. Over the past decade, CFE has commissioned a massive buildout of pipelines with the aim to import US natural gas for its power plants amid declining production by Pemex.

Moody's affirms CFE's Baa1 rating; negative outlook – *Moody's*

Moody's affirmed CFE senior unsecured debt ratings of Baa1 (Global Scale). The outlook remains negative. The Baa1 senior unsecured rating affirmation reflects the application of Moody's joint default analysis framework, which takes into account the i) the Baa1 rating of the Mexican government as CFE's support provider, ii) our assessment of a very strong implied government support to the utility in the case of financial distress and iii) our views of a very high default dependence between CFE and the Mexican government, resulting in the senior secured rating four notches above CFE's BCA of ba2.

While Mexico's government does not guarantee CFE's debt obligations, Moody's believes that there is significant likelihood of governmental support given the company's status as a wholly government-owned entity, and its strategic importance to the country's economy overall. Our estimate of very high default dependence reflects our view that CFE shares several common risk factors with the government.

During 2020, CFE's interest rate coverage equaled 3.4x and Cash from Operations pre-working capital to debt amounted 11.3%. For 2021, Moody's estimates that the interest rate coverage will be around 2.0x and Cash from Operations pre-working capital to debt will represent 5% as a result of debt increases to finance capital expenditures and increasing in operating costs, particularly on the generation business given the high volatility on natural gas prices during the weather crisis in Texas. Nonetheless, Moody's expects these challenges to be partially offset by subsidy increases coming from the federal government. The outlook remains negative reflecting the rating outlook of the Government of Mexico, the support provider, which provides rating uplift under our analytical framework for Government Related Issuers. The negative outlook also reflects the uncertainty regarding the company's decision to combine debt and equity sources to finance its growing capital spending plan, which could lead to a prolonged or higher than anticipated deterioration of credit metrics.

Brazil auctions 59 oil blocks; Shell, TotalEnergies, 3R win contracts – *Reuters*

Brazil granted 59 exploratory blocks of oil and natural gas to 13 companies, including Shell, Total Energies and 3R Petroleum.

The auction totaled 422.4 million reais (\$90.10 million) in signature bonus, registering a premium of 854.84%, according to data from the country's oil regulator ANP. The areas that were sold are located in six Brazilian states and will result in investments of 406.3 million reais in the exploratory phase of the contract. Shell Brasil was granted six blocks in the Santos Basin in a consortium with the Colombian Ecopetrol, while TotalEnergies won two areas in the same basin. The Brazilian company 3R Petroleum got six areas in the Potiguar Basin. In a statement, Shell said auction represented "another milestone" in its focus on Brazil, a country that accounts for about 13% of its global oil and gas production. With the new acquisitions, the company now holds more than 30 oil and gas contracts in the country.

Argentina launches tender to build new Vaca Muerta gas pipeline – *Reuters*

Argentina's government launched a tender on for the construction of the first stage of a new gas pipeline from the huge Vaca Muerta shale formation, one of the world's most important for unconventional hydrocarbons. The gas pipeline from Vaca Muerta is key to expanding network capacity and reversing a major energy deficit in the South American country, where the government is keen to boost gas exports to bring in much-needed foreign currency.

The tender seeks to acquire 656 kilometers (407.62 miles) of pipes for the construction of the first stage of the project. The pipeline will start with natural gas from Treatyén, in the province of Neuquén, and will cross the provinces of Río Negro, La Pampa and Buenos Aires, until reaching Santa Fe, adding that once finished, the pipeline could transport 44 million cubic meters of gas daily. The first stage of construction would take some 18 months and a public investment of about \$1.6 billion to inject 24 million cubic meters more per day of gas into the network by the winter of 2023.

Brazil's ex-petroleum secretary takes CEO role at Petrobras for one year – *Energy Offshore*

Petrobras has revealed the appointment of a new CEO, who has been chosen to spearhead the company for a year after the previous one got marching orders over a hike in fuel prices. Petrobras informed that it has elected José Mauro Ferreira Coelho to its board of directors, paving the way for him to take over the CEO role at the company. Later, the firm confirmed that its board of directors held another meeting and elected Coelho to the position of CEO for a one-year term. Coelho has a doctorate in Energy Planning from the Energy Planning Program of the Federal University of Rio de Janeiro (UFRJ). Served as Secretary of Petroleum, Natural Gas and Biofuels at the Ministry of Mines and Energy (MME) between 2020 and 2021. In addition, he has served as Chairman of the Board of Directors of Empresa Brasileira de Administração de Petróleo e Gás Natural S.A since 2020.

Argentina extends Total, Wintershall offshore concession until 2041 – *Reuters*

Argentina has extended a concession held by energy firms Total Austral, Wintershall Dea Argentina and Pan American Sur for 10 more years until 2041, and approved an investment plan for \$700 million, according to a government decree published.

The extension for exploring conventional oil and gas in the 1,900 square kilometers offshore area comes as Argentina looks to bolster domestic energy supply and shed a heavily reliance on imports as global prices rise. The government approved the investment plan presented by the companies for \$700 million for the period between 2031 and 2041 and established the royalty payment of 15% of what is produced from the starting date of the extension, the decree said. "The extension request made by the exploration concessionaires is based on the need to have a longer time frame, given the complexity and high costs involved in the exploitation of offshore oil and gas".

The concession area is part of the Austral Basin, which extends over the provinces of Santa Cruz, Tierra del Fuego and the Argentine southern sea. "The extension is expected to allow the continuation of the development of investments in the area, in order to maintain a natural gas production flow of 20 million cubic meters per day," the decree said. Total and Wintershall each own 37.5% of the concession, while Pan American Sur owns 25%.

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Contact us: www.marcos.com.mx | info@marcos.com.mx | +52 55 5202 3600 | LinkedIn [Marcos-y-Asociados](#)

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