



Energy Fortnightly News

January 1-15, 2024

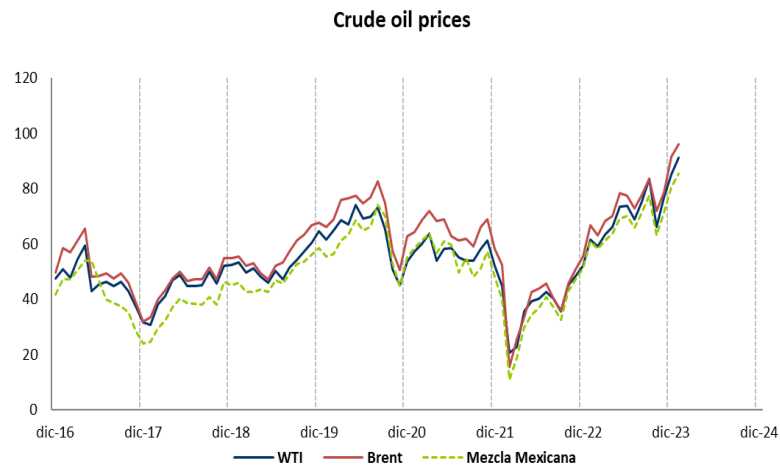
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Fortnightly review

* 15/01/2024

MME US/BD*	68.33
MME US/BD* PEF SHCP	56.30
Dif. MME AVG. 2024 vs. MME PEF SHCP	11.10
NG price HH* US/MMBTU	2.43
Mx crude production MMbd – November	1.64
Mx NG production MMpcd – November	4,128
US crude production MMbd - October	13.24
FX Rate*	16.89



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

Oil & Gas - Mexico

Mexican Pemex explores business opportunities in Venezuela with state oil company PDVSA – *Business Mexico News*

Pemex executives held a meeting in Caracas with representatives from PDVSA to explore business opportunities. This encounter comes two weeks after an initial meeting between authorities of both companies in Mexico City.

According to the Venezuelan national broadcast, VTV, the purpose of this meeting is to "evaluate the energy relations" between the two companies, aligning with the government's strategy to establish new partnerships and forms of cooperation in the oil sector. Although specific details of the meeting have not been revealed, the encounter follows the previous conversation of Dec. 21, 2023, when Pedro Rafael Tellechea, Venezuelan Minister of Oil, visited Octavio Romero, emphasizing the possibility of a "coordinated partnership with future prospects."

During his visit to Mexico, the Venezuelan minister also met with the Mexican Minister of Energy, Miguel Ángel Maciel, to assess "favorable conditions for the development of joint projects in hydrocarbons and new technologies." Pemex and PDVSA's collaboration comes also as PDVSA seeks agreements with Refinería di Korsou in Curaçao and Spanish energy company Repsol.

PDVSA and Repsol signed an agreement on Dec. 18, 2023, modifying the original terms of a project in Venezuela, aiming to revive its crude oil and gas production. These agreements aim to reactivate commercial and financial relationships, especially in the joint venture Petroquiriquire, where Repsol holds a 40% stake. The revival of the Venezuelan oil market has become feasible after the United States temporarily lifted several sanctions on the country, including those related to the oil sector, last October. The concessions offered by the United States were subject, in return, to a commitment from the government of Nicolás Maduro to organize free and verifiable presidential elections, without vetoes on candidates, and within a framework of amnesty for the over 300 political prisoners in the country.

The end of sanctions and the normalization of direct contracts negotiated with the United States will allow the Venezuelan treasury to sell its crude oil without the significant discount, sometimes up to 40%, that it had to apply amid complex transactions.

Air Liquide pushes Mexico for answers after plant seizure – *Bloomberg*

French industrial gas manufacturer Air Liquide is pressing Mexico for answers after the government took over operations at a hydrogen processing plant last week in Hidalgo state. On Dec. 29, 2023, Mexico ordered the temporary occupation of Air Liquide's hydrogen plant at the Miguel Hidalgo refinery located in Tula. The plant will be operated by Pemex's refining arm, Pemex Industrial Transformation, which will be responsible for compensating the company following the expropriation.

Air Liquide is actively reaching out authorities to gain clarity on the situation and is currently reviewing its options in the context of this development. Air Liquide had been supplying hydrogen to the Tula refinery since 2017, when it paid around €50 million (US\$54.5 million) to acquire and upgrade the plant. The Tula refinery houses one of Mexico's largest hydrotreaters, which uses hydrogen to remove sulfur from diesel and gasoline.

"How this has been approached is highly questionable, essentially because of how it affects confidence in our country in terms of legal certainty. The serious, formal arguments that underpin this decision are not known," Rosanety Barrios, Analyst and former SENER Regulator, said. Barrios added that since the beginning of this administration, the former energy minister, Rocío Nahle, consistently voiced complete opposition to this initiative.

New Fortress Altamira LNG export systems to come online in February – *Bnamericas*

The two 1.4Mt/y offshore liquefaction systems that US company New Fortress Energy is building off Mexico's Tamaulipas state will come online in February, according to President AMLO. "The platforms are already on the coast, in the middle of next month they will begin to export gas, that means consuming surplus gas," he said in a press conference. These new Altamira plants are liquefaction plants, to freeze gas and transport it to Europe.

In November, New Fortress said that its first Altamira project, dubbed FLNG1, will conclude commissioning by December, following a few delays. The project, with a US\$1.3bn first stage, is one of the few public-private partnerships in the energy sector that power utility CFE has signed. However, New Fortress is mulling building a second LNG export facility onshore Altamira. In October, the company disclosed that it was mulling adding an onshore export facility, dubbed FLNG2, which led the US Department of Energy to request clarification because expanding onshore would involve a separate permit.

Gasoline prices in Mexico are 24% higher than in the US – *Business Mexico News*

According to data from Pemex and other consulting firms, the average price of Magna gasoline in Mexico during 2023 was MX\$22.08/L (US\$1.30/L), which is 120.8% above the promised amount set by President AMLO.

In December, the average national price of Magna gasoline in Mexico was MX\$22.19/L, a 3.21% increase compared to the same month in 2022 when it was MX\$21.50/L. Meanwhile, premium gasoline was sold at MX\$24.25/L, 1.46% higher than the last month of 2022. These fuel price hikes occurred even as oil prices fell more than 10% during the year due to factors such as global demand weakness, higher interest rates, and increased US production.

The value of low-octane fuel is well above the average price in the United States. According to the Energy Information Administration, last year, regular gasoline, similar to Mexico's Magna, averaged US\$3.52 per gallon. Converting to liters and pesos, the average retail value is MX\$16.76/L. This represents a 24% difference, even with the implementation of fiscal incentives to the Special Tax on Production and Services (IEPS), applied by the Ministry of Finance to avoid abrupt variations in fuel value.

Power/Renewable Energy – Mexico

Impact Silver contracts Bell Intl. to provide Tesla battery energy system with solar at the Plomosas mine – *Impact Silver Press Release*

Impact Silver Corp announced that its Plomosas high-grade zinc mine, located in the State of Chihuahua in northern Mexico, has entered into a managed services contract with Bell Intl. de Mexico/TTN Energia for the planning, design, construction, and operation of Tesla Corp.'s commercial battery with solar, energy efficiency platform, expected to meaningfully reduce its operating costs and eliminate nearly all carbon emissions associated with round-the-clock, diesel powered generators.

The platform will provide a sustainable and green energy efficiency solution, using off-grid, PV green electrical energy generation and AI-controlled battery storage systems, that will cut nearly 90% the annual 2,400 metric tons of carbon dioxide emissions from diesel fuel combustion.

Clean electricity from a 2,200 kW solar plant will be supplied to an intelligent software controlled microgrid, equipped with a Tesla Megapack 2 XL 4-hour, 960 kW battery energy storage system, and continuously delivered to the load centers of the Plomosas mine, for current and future power demand requirements. The system will offer substantial power and expansion capacity for a near doubling of production from current design capacity levels.

Immediate cost savings will take effect as contract pricing is based on a percentage of savings linked to the reduction of annual diesel usage, with "minimum saving safeguards" established to protect Impact should the price of diesel decline below an agreed upon "baseline" price that would otherwise reduce the amount of diesel cost savings to the Company. Along with labor, diesel fuel is one of the largest operating costs at the Plomosas mine. No material capex is required by the Company for this project and savings are expected to amount to approximately 30-45% of the Company's current annual diesel input costs at Plomosas once the system is fully operational.

The Company anticipates the project to be fully integrated across the operation, providing nearly all the required power requirements to the Plomosas mine and plant by mid-Q2/2024. Plomosas is a high-grade zinc producer in northern Mexico with exceptional exploration upside potential. The Company recommenced operations in late 2023 and has plans for expansion in 2024. Impact owns 100% of the 211 km² Zacualpan project in central Mexico where four underground silver mines and one open pit mine feed the central 500 tpd Guadalupe processing plant.

Campeche and ENGIE signs an agreement to develop local testers – *Oil and Gas Magazine*

ENGIE México and the Government of Campeche signed a collaboration agreement to develop energy projects in the state, and promote the Energy Transition through local supply development programs, shared benefits and clean and sustainable energy initiatives for the benefit of all Campeche residents. This agreement will allow the development of social projects that the State requires, impacting 45 communities in Campeche where different social projects will be developed with an investment of \$108 million pesos.

GE Vernova, Iberdrola kick off Topolobampo III power plant – *GE Press Release*

GE Vernova's Gas Power business and Iberdrola Mexico celebrated the successful start of commercial operation of Topolobampo III power plant, in the Mexican state of Sinaloa. The plant, powered by GE's H-class combined cycle equipment, is a highly efficient, digitally enabled, combined-cycle power plant, which aims to support Mexico's renewable-rich grid and further renewable growth in the country. The plant generates up to 766 MW, the equivalent power needed to supply more than 1.6 million average Mexican homes.

Topolobampo III power plant is aimed to help address the growing energy demand of Mexico's population, which according to IEA country analysis, is expected to grow to more than 150 million by 2050, from nearly 127 million today. The Topolobampo III power plant uses two of GE Vernova's gas turbines, a D650 steam turbine, three H53 generators, and advanced plant control systems, offering the possibility to use real-time data to deliver better outcomes supporting stable and efficient operations. The package is aimed to help Iberdrola improve asset visibility, reliability, and availability while reducing operating and maintenance costs.

With a workforce of 1,300 employees, 99% of them Mexican, Iberdrola Mexico has contributed to the country's energy development for over 20 years. Currently it is present in 15 states and a nameplate capacity that exceeds 11,000 MW through 28 power plants: combined cycles, cogeneration, wind and solar farms. GE Vernova is a planned, purpose-built global energy company that includes Power, Wind, and Electrification businesses and is supported by its accelerator businesses of Advanced Research, Consulting Services, and Financial Services.

Valaris announces multi-year contract award for drillship VALARIS DS-4 – *Valaris Press Release*

Valaris announced that it has been awarded a 1,064-day contract for drillship VALARIS DS-4 with Petrobras offshore Brazil following a competitive bidding process. Based on the firm contract term, the total contract value is approximately \$519 million, inclusive of mobilization fees and additional services.

The contract is anticipated to commence late in the fourth quarter 2024, following completion of the rig's current contract with Petrobras, which is expected to finish in September 2024. Upon completion of its current contract, the rig is expected to be out of service for approximately 90 days to complete customer-required capital upgrades prior to commencement of the new contract.

Petrobras to invest \$5.2B in Brazil green energy projects – *Zacks Equity Research*

Petrobras' CEO, Jean Paul Prates, had hinted at the possibility of the company exploring a minority stake in offshore wind farms beyond Brazil's shores. However, the latest pronouncement indicates a resolute shift toward developing a robust portfolio of local greenfield projects. This aligns seamlessly with the vision of Brazil's president Luiz Inacio Lula da Silva, emphasizing job creation and enhancing the nation's energy-transition efforts.

By 2028, Petrobras plans to invest \$5.2 billion in solar and wind projects. The initial emphasis will be on onshore plants coupled with ongoing research into the prospects of offshore wind ventures in Brazil. This strategic commitment was unveiled alongside Petrobras' new business plan last November, showcasing a dedication to renewable energy on a national scale. Petrobras took a significant step into offshore wind exploration by presenting its inaugural studies in collaboration with Norway's Equinor. This partnership signals a global collaboration to harness offshore wind's potential. This aligns with the nation's aim to establish a regulatory framework for offshore wind and green hydrogen by the end of 2024.

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