Energy Fortnightly News

March 1-15, 2024

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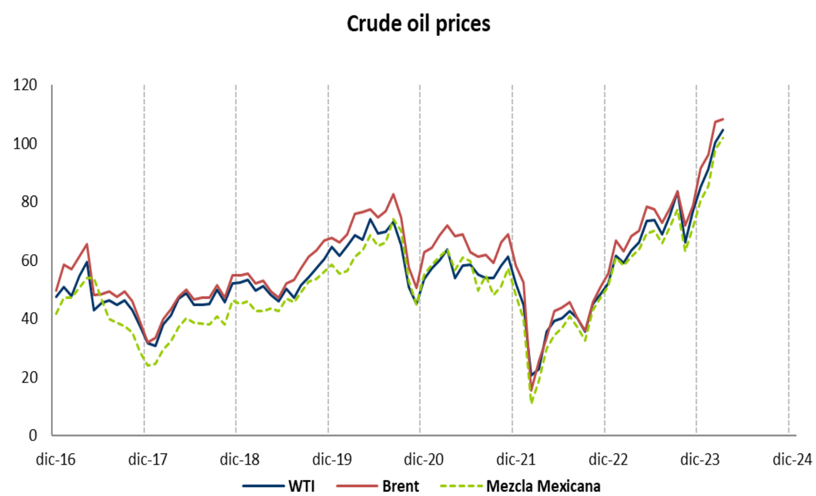
Fortnightly review

* 14/03/2024

MME US/BD*	75.89
MME US/BD* PEF SHCP	56.30
Dif. MME AVG. 2024 vs. MME PEF SHCP	14.61
NG price HH* US/MMBTU	1.75
Mx crude production MMbd – *January*	1.60
Mx NG production MMpcd – *January*	4,070
US crude production MMbd - *December*	13.31
FX Rate*	16.69



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

Oil & Gas - Mexico

Pemex looks to revive stalled Lakach project – *Offshore Magazine*

Pemex and Carlos Slim's team are discussing ways to revive development of the Lakach field development project in the deepwater Gulf of Mexico.

Mexico's first deepwater natural gas field development project, has been shelved twice before. Pemex wants to develop the offshore field using a service contract where partners finance projects upfront, a mechanism used prior to the country's energy sector opening. It was unclear whether Pemex and Slim's companies plan to move forward with the project or whether others would be involved. Slim, has been increasing his participation in the energy sector since last year with stakes in shallow-water fields Zama, Ichalkil and Pokoch. Slim owns stakes in various companies that could participate in the Lakach field, including construction companies FCC and IDEAL, which attended the March 5th meeting.

However, Pemex and Slim would still likely need another company with deepwater expertise. Reuters reported last November that Pemex and US liquefied natural gas company New Fortress Energy terminated a deal to develop the field because the parties could not come to an agreement on terms including pricing.

President AMLO said the field could be key for supplying much-needed gas to Mexico and bringing the country closer to energy self-sufficiency and had celebrated the deal. Located some 90 km from the Gulf port of Veracruz, it holds an estimated 900 billion cubic feet of gas. So far, Pemex has reportedly spent $1.4 billion on it. Plans to produce gas there were also shelved in 2016, after it was deemed too expensive.

Pemex commits $680 million to explore deepwater Perdido region – *CNH*

CNH approved Pemex's request to modify its exploration programs for seven blocks located in Perdido. Pemex has committed to a $680 million exploration program in the deepwater Gulf of Mexico in the Perdido foldbelt region. The area has been neglected over the past few years following a presidential mandate to focus on shallow-water and onshore deposits. The exploration is planned for late 2025 and 2026.

Pemex requested the modification as it has now decided it will drill at least one exploration well in each of the blocks. Pemex drilled 28 exploration wells from 2012 to 2019 in the area. Deepwater and unconventional deposits have been removed from the Pemex portfolio, although most of the prospective resources are located there.

Pemex has identified more than two billion barrels of oil equivalent in the Perdido region, which is over 6,000 square kilometers wide. The blocks are adjacent to Trion, the only ultra-deepwater project in the country, which is expected to start production in 2028. Australia's Woodside Energy is currently developing the project in a joint venture with Pemex. At its peak, Trion is expected to yield a little over 100,000 b/d, becoming one of the largest contributors to national production.

Companies in the Perdido region and other Mexican deepwater blocks have been abandoning their exploration rights, arguing that the amount of resources found is too low for the level of investment needed. Companies that have abandoned rights to their blocks include Vista Oil & Gas, Shell, CNOOC, Chevron, Repsol, and Petronas. Roughly 70% of the deepwater blocks that were auctioned during 2015-2017 have been returned, according to S&P Global Commodity Insights estimates.

AHMSA postpones payment – *El Financiero*

Altos Hornos de México has agreed with Pemex to postpone its third payment of the preparatory agreement for the Agronitrogenados fertilizer plant. AHMSA indicated that the new deadline for the payment will be until November 30 of the current year.

According to the agreement, AHMSA must pay $216.6 miilion in three installments. The first was made on November 30, 2021, for $50 million, the second for $54 million was made in November 2022, and the last, for $112 million, was supposed to be made in November of last year. In addition, AHMSA Board of Directors received the "definitive and irrevocable" resignation of Alonso Ancira. AHMSA has suspended operations in all its plants, with no date set for their reactivation at this time.

CNH approves Pemex's US $350 million plan for Xinich, Xanab fields – *CNH*

CNH has approved Pemex to invest US$350 million in two development plans for the Xinich and Xanab fields located onshore and offshore Tabasco state, respectively. For Xinich, PEP will allocate US $133 million to extract up to 4.39Mb of oil and 11.35Bf3 of gas by end-2045. The 8.10 km² field is located northwest of state capital Villahermosa in Jalpa de Méndez. Xanab involves US $217 million to extract 22.1Mb of oil and 16.7Bf3 of gas by end-2038. The offshore field is in a 10.5 km² area about 14km from Dos Bocas port.

Pemex mulling two green hydrogen solutions in sustainability plan – *Bnamericas*

Pemex has included two business models based on green hydrogen in its long-term list of options to become a more sustainable company. However, none of the options include domestic production of the gas, even though the country's hydrogen portfolio has grown rapidly in recent months with projects including one developed by Danish investment fund Copenhagen Infrastructure Partners, which will build a US $10bn green hydrogen plant in Oaxaca state, and French energy firm HDF Energy, which will invest US $2.5bn in 2024-30 in seven green hydrogen projects in three regions of the country.

According to Pemex's sustainability plan, one option includes a pilot project at the Deer Park refinery in Texas, while the other involves the possibility of importing the molecule to the Cadereyta refinery in Nuevo León state via a pipeline.

The first proposal is a short-term option that would be in effect between 2025 and 2029, while the second is a medium-term solution for 2030-35. The document was created by agency Standard and Poor's as a measure to help Pemex improve its ESG image, particularly with the rating agencies.

Dos Bocas' cost doubles – *Bloomberg*

The cost of the Dos Bocas refinery amounted to US $18,900 million ($319,985 million pesos) according to a document presented by Pemex, during a call with analysts and investors. Pemex has received multimillion-dollar contributions from the Government of Mexico since 2020 to build its seventh refinery located in the state of Tabasco, which aims to reduce fuel imports and contribute to the goal of lowering gasoline and diesel prices in Mexico.

AMLO, said at the beginning of his administration that the refinery would cost US $8 billion ($160 billion pesos), but his energy team has released a series of considerable increases. SENER and Pemex have justified the increases for the construction of works surrounding the project such as a gas pipeline, aqueduct, cogeneration plant and roads, after the federal institutions in charge of the works had delays in their execution.

During 2019, Rocío Nahle, then head of SENER, invited multiple companies to bid for the management of the project, but it was left void due to the time established to build it of three years, in addition to the budget set by the Government consequently, SENER assumed the role of coordinating its construction. Dos Bocas was built to produce 170,000 barrels of gasoline and 120,000 of diesel per day. Pemex's refining business is also the only one reporting red numbers. Although it was inaugurated on July 1, 2022, the Dos Bocas refinery has not yet produced its first commercial barrels of gasoline and diesel.

Talos Energy listed on the Mexican Stock Exchange (BMV) – *Bloomberg*

The Mexican Stock Exchange has greenlighted the listing of Talos Energy on its International Quotation System. Talos Energy Inc., already listed on the New York Stock Exchange, boasts a market value of US$1.995 billion, as per the information submitted to the BMV. Talos Energy currently has 154,080 shares outstanding. The price per share stands at US$19.95, and the total capitalization reaches US$1,995 million as of February 23, 2024.

Last May, Zamajal, a subsidiary of Grupo Carso, finalized a deal to acquire a 49.9% stake in Talos Mexico, which holds a 17.4% participation in the Zama mega-field. Carlos Slim has shared that Grupo Carso is willing to increase its involvement in Talos Energy.

Sempra Energy sets 2025 launch for Mexico's ECA LNG project – *Business Mexico News*

Sempra Energy is targeting the summer of 2025 for the commencement of commercial operations of its Energía Costa Azul (ECA) LNG project Phase 1 in Ensenada, Baja California, marking a significant milestone in North American energy cooperation and global LNG market dynamics.

The ECA LNG Phase 1 project, signifies a strategic infrastructure development leveraging the synergies between the United States and Mexico. Sempra Infrastructure, a Houston-based affiliate, holds a 100% ownership interest in the GRO pipeline, ensuring gas delivery for the project, scheduled for completion in the second half of 2024. Sempra Infrastructure's plans for the ECA LNG project include a 3.25MMt/y train, with an initial offtake capacity of 2.5MMt/y, supported by a 0.5Bcf/d delivery capacity through the GRO pipeline. Sempra Infrastructure maintains an 83.4% working interest in the project, with TotalEnergies of France holding the remaining 16.6% stake.

Looking ahead, Sempra Infrastructure envisions a second phase of the ECA LNG project to expand export capacity to 12MMtpa. Preliminary agreements with ConocoPhillips, TotalEnergies, and Mitsui signify the project's international collaboration and future growth potential.

Mexico’s power utility to invest over US $22bn by 2028 – *Bnamericas*

CFE will invest 377bn pesos (US $22.4bn) by 2028, mainly in generation, transmission and distribution. According to the company’s 2024-28 business plan, 192 bn pesos will go to generation, 108 bn pesos to transmission and 66.6bn pesos to distribution. The balance is for other purposes. The plan also states that distribution will get 69.3 bn pesos from 2029.

The projects that will be included in these investments are not mentioned. However, there are 13 transmission projects for which tenders are underway. Besides its yearly budget, the utility also has four trust funds that it uses to finance projects. The Fideicomiso Maestro de Inversión fund is financing a portfolio of five combined cycle plants that CFE directly awarded to Siemens Energy and Mitsubishi Power in 2022. These projects are the 683MW Gónzález Ortega plant in Baja California state, the 680MW San Luis Rio Colorado plant in Sonora state, the 509MW Mérida plant in Yucatán state, the 1GW Riviera Maya plant in Quintana Roo state and the 1GW Tuxpan plant stage 1 in Veracruz.

Fideicomiso de Proyectos de Generación Convencional is financing five combined cycle plants, three gas turbine plants and the internal combustion of Mexicali Oriente and the Parque Industrial unit, along with their interconnections, according to the document. Fideicomiso Energías Limpias is financing a hydrogen project in Puerto Libertad, Sonora state, the three stages of the 1GW Puerto Peñasco solar park and 12 hydroelectric plants across the country. The fourth trust is named Fideicomiso F/1320 and is used for financing mixed projects.

Schneider Electric to invest US $29 million in Monterrey – *Business Mexico News*

Schneider Electric announced a US $29 million investment to establish a new plant in the state of Nuevo Leon to produce electricity distribution panels, expected to commence operations in early June. The new facility, named Monterrey 4, will specialize in manufacturing low-voltage electricity distribution panels, essential for hospitals, data centers, digital enterprises, and high-energy consumption organizations.

With an initial area of 183,000 m², expandable to 520,000 m², Monterrey 4 will increase Schneider Electric's number of plants in Mexico to 10, reinforcing its presence and value proposition in the country. Monterrey 4 will implement intelligent technology, advancing the company's journey toward efficiency, industry digitization, and environmental sustainability, both internally and externally. Schneider Electric's expansion in Mexico aligns with the country's growing investments related to nearshoring.

Sempra confirms US$550 million investment for Mexico wind farm – *Bnamericas*

With an investment of US $550 million, Sempra Infraestructura, confirmed construction of the third stage of the Energía Sierra Juárez wind farm in Mexico’s Baja California state.

Known as Cimarrón, the 320MW project will be located in Tecate municipality, close to the US border, and focused on exporting energy to the US through the state's connection with the California Independent System Operator. It is one of very few wind projects approved by energy regulator CRE under the administration of President Andrés Manuel López Obrador.

Cimarrón received its environmental permits in August and the company said in a statement on Thursday that it had now made the final investment decision for the project’s development, construction and operation. In 2022, Sempra closed a 20-year supply deal with Silicon Valley Power, a municipal utility serving that region of northern California, to be supplied by Cimarrón.

The project has a fixed-price agreement with Vestas for the supply and installation of 64 wind turbines and a similar fixed-price agreement with Elecnor for the engineering, procurement and construction part, said Sempra. Cimarrón is expected to come online at the end of 2025.

Oil & Gas - LATAM

Chevron resumes drilling operations in Venezuela – *Zacks Equity Research*

Chevron Corporation restarted drilling operations in a pristine field located in Venezuela, marking a significant move to boost production amid challenging geopolitical circumstances. The drilling activities, initiated in mid-February, aim to exploit the heavy crude area of the Orinoco Belt, which is Chevron primary avenue for increasing production in Venezuela.

Situated in the Orinoco Belt, the targeted area represents Chevron 's most promising opportunity for near-term production escalation within Venezuela. With the company's other operational fields anticipated to face declining output in the foreseeable future, the Orinoco Belt emerges as a key focal point for sustaining and potentially enhancing Chevron 's presence in the country.

Chevron's plan covers the drilling of up to 30 new wells by 2025, signaling a robust commitment to expanding operations in Venezuela. This ambitious task is projected to substantially raise the overall production capacity of Chevron 's jointly managed ventures with PDVSA, by 35%, culminating in an estimated daily output of 250,000 barrels by 2025.

The resumption of drilling activities has been facilitated by a license issued to Chevron by the U.S. Treasury in 2022. Despite growing political dynamics and uncertainties surrounding the Maduro regime, the license affords Chevron a degree of protection, enabling the company to pursue production increases while adhering to prescribed limitations on field expansion.

YPF expects FID on first phase of Argentina LNG project in 2025 – *LNG Prime*

YPF expects to take a final investment decision on the first phase of the planned Argentina LNG export project it is developing with Malaysia's Petronas in 2025, according to YPF's CEO, Horacio Marin.

YPF and a Petronas' unit in Argentina signed a joint study and development agreement on September 1, 2022 to work on the potential development of the Argentina integrated LNG project, Argentina GNL, to liquefy natural gas from Vaca Muerta's vast shale gas resources.

The project will include upstream gas production, dedicated pipeline and infrastructure development, LNG production, as well as marketing and shipping. YPF initially said the first phase of the project includes a production of 5 million tons of LNG per year. In the future, the capacity could rise to 25-30 million tons of LNG per year. "It is well known that Vuaca Muerta has world-class gas reserves, far exceeding local demand. To capture this opportunity, unlocking our shale gas potential, we plan to lead the unique Argentinian LNG project," Marín said.

The first phase is expected by mid-2025 and requires investments of around $200 million on a gross basis. The second stage of the LNG project consists of the construction of two new floating LNG faculties, representing a capacity of around 8-9 mtpa by 2030.

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