Energy Fortnightly News

March 15 -31, 2024

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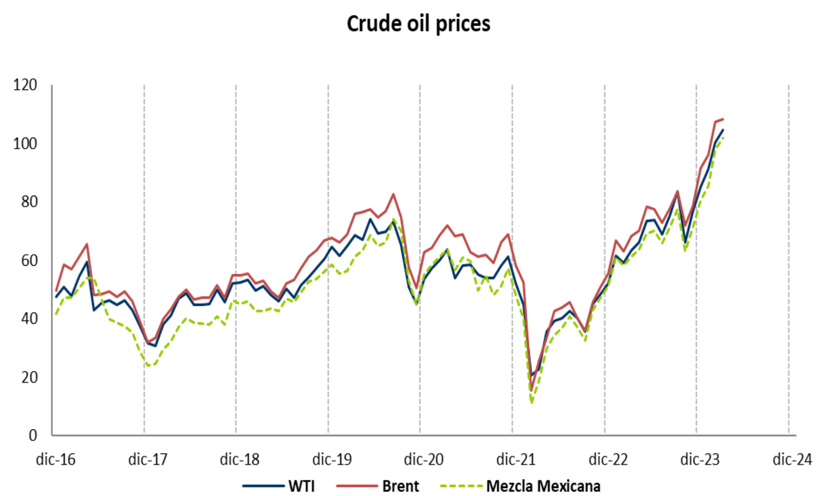
Fortnightly review

** 26/03/2024*

MME US/BD*	76.50
MME US/BD* PEF SHCP	56.30
Dif. MME AVG. 2024 vs. MME PEF SHCP	15.29
NG price HH* US/MMBTU	1.58
Mx crude production MMbd – *February*	1.59
Mx NG production MMpcd – *February*	4,047
US crude production MMbd - *December*	13.31
FX Rate*	16.70



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

Oil & Gas - Mexico

Wintershall to present new exploration plan for Gulf of Mexico contract – *CNH*

Wintershall Dea México, submitted a new exploration plan to CNH for its contract off the coast of Tabasco state.

The new plan was part of CNH's approval of a second extension for 15 months of the exploration period. The contract (CNH-R03-L01-AS-CS-14/2018) is for shared production in shallow waters and was assigned in 2018. The company cited geological pressures as the key reason behind the request for additional time to carry out further studies. In the area, Wintershall has made major discoveries such as wells KAN-1EXP and IS-EXP, both in 2022. The request was approved by CNH, giving the company three months to present further information on its activities and a new exploration calendar.

PTRI loses $183 bn pesos in 2023 – *Oil and Gas Magazine*

The Mexican Institute for Competitiveness (IMCO) published a study on the financial results of Pemex refineries, highlighting possible operating deficits. IMCO has been evaluating the financial and operational situation of the state oil company since the beginning of 2022 to highlight its progress and challenges.

The report revealed that, by the end of 2023, Pemex's Industrial Transformation division (PTRI), responsible for the six national refineries, recorded operating losses of 183.8 billion pesos. This deficit is attributed to the configuration of refineries to process light oil, while heavy crude is currently processed, resulting in increased production of fuel oil, which became the main byproduct of refining in 2023.

Fuel oil constituted one third of the total oil products produced by Pemex during the year, with an average production of 260 thousand barrels per day, which represents 32.5% of the company's total oil products, an increase of 0.7% compared to 2022. Despite having a total processing capacity of 1.640 MMbd, they operated at half their capacity, with an average of 800 thousand barrels per day, which is 1.5 percentage points less than in 2022 and 25.6 percentage points less than in 2011.

Pemex ESG plan promises to reach net zero emissions by 2050 – *Bloomberg*

Pemex is promising to slash greenhouse gas emissions to reach net zero by 2050, an ambitious goal for the indebted oil producer as it struggles to turn around flagging production and reduce its massive debt burden. Pemex said it would cut methane emissions by 30% over the next six years as it aims to reduce its total emissions to net zero by 2050, according to a company sustainability plan recently released.

Pemex is also promising to stop all gas flaring by 2030, improve its emissions monitoring process and reduce its water use. The company says it will need to invest as much as 12% of its capital expenditure to meet its emissions reductions target from 2025 through 2030. Pemex's board of directors approved the environmental, social and governance plan earlier this month, paving the way for ESG investors to potentially return to the indebted oil producer.

The plan, which has been in development for the past year, aims to help Pemex meet the requirements of some funds that have been limiting exposure to the company's bonds because of its ESG record, especially as a growing number of banks and investors are demanding companies mitigate practices that are harmful to the planet. Pemex's reputation has been marred by a host of mishaps over the past few years, including two massive methane leaks, a deadly offshore platform accident and a gas explosion that set the Gulf of Mexico ablaze.

The company, the world's most indebted oil firm, is in desperate need of financing as it tries to reinvigorate production that has dwindled to about half its output from two decades ago, as well as reduce its roughly $106 billion debt burden. The plan was also was also a condition for some banks to renew revolving credit lines that are up for renegotiation later this year. Here are some other highlights of the plan:

- Pemex will seek to reduce water use and curb sulfur emissions.
- Pemex will improve its greenhouse gas emissions monitoring process and begin a program to quantify methane emissions.
- Pemex to publish annual report on sustainability progress and will provide periodic updates alongside earnings.
- Business opportunities analyzed in the sustainability plan include EV charging stations and green hydrogen imports.

Subsea7 awarded contract offshore Mexico – *Subsea7 Press Release*

Subsea7 announced the award of a large contract by Woodside Energy to provide subsea installation services for the Trion development. The field is located approximately 30 km south of the US / Mexico border and 180 km away from the Mexican coastline, at a water depth of 2,600 meters.

The project, which Woodside and Pemex are developing in partnership, involves a wet tree subsea system connected to an infield Floating Production Unit (FPU). Subsea7 will be responsible for the engineering, construction, and installation of the subsea umbilical's, risers, and flowlines, as well as the associated subsea architecture.

Project management and engineering will begin immediately. Offshore activities are expected to take place between 2026 and 2027.

Power/Renewable Energy – Mexico

Sunwise, Serfimex to fund solar projects in Mexico – *Serfimex Press Release*

Sunwise and Serfimex Capital have joined forces in a strategic alliance aimed at financing large-scale solar energy projects in Mexico. This collaboration aims to provide accessible financing solutions for end users looking to invest in solar energy initiatives tailored to their specific requirements.

According to Arturo Duhart, CEO, Sunwise, this partnership marks a significant milestone in accelerating the transition to renewable energy. Duhart emphasized that the alliance will enable clients to streamline financing integration for photovoltaic and storage systems, offering diverse financing options to commercial users.

The financing options provided by the alliance start at MX$500,000 (US$29,904), catering to projects in various sectors including commercial, industrial, hospitality, and healthcare. Notably, these loans feature no down payment requirements and offer terms of up to 60 months, coupled with advisory support and technical monitoring throughout the project lifecycle.

Sunwise specializes in offering software solutions designed to optimize the sale of solar solutions, while Serfimex Capital provides a financing system specifically tailored for photovoltaic energies.

This collaboration reflects a concerted effort to drive the adoption of solar energy in Mexico's commercial landscape, offering accessible financing avenues to propel large-scale solar projects forward. With a focus on sustainability and innovation, Sunwise and Serfimex aim to facilitate the transition toward renewable energy sources while meeting the evolving needs of the Mexican market.

Sempra Infrastructure launches Cimarron wind project – *Sempra Press Release*

Sempra Infrastructure, a subsidiary of Sempra, announced that it reached a positive final investment decision for the development, construction and operation of the Cimarron wind project, the third phase of the Energía Sierra Juarez (ESJ) wind complex.

The Cimarron wind project is fully contracted under a 20-year power purchase agreement to Silicon Valley Power for the long-term supply of renewable energy to the City of Santa Clara, California. The project has a fixed-price turbine supply agreement with Vestas for the supply and installation of 64 wind turbines and a similar fixed-price agreement with Elecnor for the construction of the balance of plant.

The Cimarron project will utilize Sempra Infrastructure's existing cross-border, high-voltage transmission line interconnecting the ESJ wind complex directly into the California Independent System Operator system.

Total capital expenditures for the project are estimated at US $550 million, and the project is expected to commence generating energy in late 2025.

Cimarron will produce energy equivalent to the annual energy consumption of more than 84,000 homes and is expected to reduce greenhouse gas emissions by around 210,000 metric tons of carbon dioxide equivalent (CO_2e) per year.1 The construction of the new facility is expected to create more than 2,000 direct and indirect jobs with additional local community investment under Sempra Infrastructure's framework for corporate giving as part of the company's commitment to the communities where it operates.

The first two phases of the ESJ wind complex, totaling 263 MW, are under long-term power purchase agreements with San Diego Gas & Electric. Once the Cimarron project is in operation, the ESJ wind complex will have total installed capacity of more than 580 MW and will represent one of the largest commercial wind projects in all of Mexico.

Sempra Infrastructure has submitted an interconnection request for an additional 300 MW of capacity at the site, which has a potential expansion opportunity of more than 650 MW, which if developed could result in Sempra Infrastructure owning over 1,200 MW of installed wind capacity in the Baja California region. Sempra Infrastructure's existing portfolio of renewable resources includes more than 1,000 MW of clean energy infrastructure, as well as hydrogen fuel production and advanced carbon capture, usage and storage technologies that are under development.

Tango Solar to invest US $1.75 bn in green hydrogen plant – *Business Mexico News*

Tango Solar's investment of US $1.75 billion in Sinaloa for green hydrogen production signals a significant move toward sustainable energy in Mexico. The project, Tango Solar North, will include a photovoltaic solar park and a hydrogen generation plant, with an estimated production capacity of 41,485t of green hydrogen annually.

With potential applications in various sectors, including transportation and industry, this initiative is poised to bolster Mexico's environmental objectives while contributing to the region's social and economic development, aligning with Pemex's projections and Mexico's broader energy transition goals.

Oil & Gas - LATAM

Petrobras to step up exploration with $ 7.5bn in Capex – *Hart Energy*

Petrobras CEO Jean Paul Prates said the company is considering exploration opportunities from the Equatorial margin of South America to West Africa. “No, it's not behind us. We have new frontiers, the Equatorial Margin, we have all the northeastern and northern states of Brazil, and we have Uruguay’s Pelotas Basin where we recently acquired 29 new areas, we are starting seismic in the next months.

Petrobras is eyeing two new wells in Colombia this year, Petrobras Chief E&P Officer Joelson Mendes said. Colombia is “an important part of our development of exploration and production in the Equatorial Margin of South America. “We consider that the Equatorial Margin spans from Panama to the coast of Brazil. And all these areas are of our interest. We see that as our operational preference together with West Africa and the Atlantic margins of Brazil where we are already.”

The Equatorial Margin is located in the north of Brazil between the states of Amapá and Rio Grande do Norte, and holds oil potential in light of recent finds in nearby regions including Guyana, French Guiana and Suriname, Petrobras said on its website.

In Guyana, a consortium led by Exxon Mobil Corp. that includes Hess Corp. and CNOOC, has found recoverable resources of over 11 Bboe in the offshore Stabroek Block. Production from the block is around 620,000 bbl/d with the use of just three FPSO vessels. Exxon and Hess expect production to reach 1.2 MMbbl/d by 2027 from six FPSOs. The consortium expects to need 10 FPSOs to develop current potential resources. “In Suriname, we had a very good meeting with the government and with [national oil company] Staatsolie. And I think it was very positive,” Prates told Hart. “We think there are also opportunities for TransPetro, which is our subsidiary in services and logistics, to be also based in the region to serve all the industry.”

Over the next five years, Petrobras has earmarked exploration capex of about $7.5 billion, most of which will be spent on wells. In the pre-salt formation, the company has cut well costs in half in recent years, Mendes said.

Venezuela tries to mend oil alliance with Iran as US poised to restart sanctions – *Reuters*

Iran and Venezuela are trying to patch together an oil alliance that began to fray last year, after the South American country fell behind on oil swaps that had boosted crude exports and helped stem domestic fuel shortages.

The expected April return of U.S. sanctions on Venezuela's oil industry will make the Iran alliance critical to keeping its lagging energy sector afloat. Washington last year temporarily relaxed sanctions on Venezuela's promise to allow a competitive presidential election, something that has not happened. The situation is growing dire. A review of shipping data and documents from Venezuela's oil company PDVSA show that Venezuela fell behind in payments to Iran, a shortfall that worsened when the U.S. began to issue licenses in late 2022. Those authorizations prompted the state firm to reassign cargoes originally planned for Iran to cash-paying customers.

To salvage the partnership, Venezuela is rushing to fulfill terms of a three-year-old alliance that has involved hundreds of millions of dollars in oil swaps and contracts. The nation is trying to settle pending debt by accelerating deliveries of heavy crude and fuel cargoes to Iran.

Two prior Iranian delegations that traveled to Venezuela since mid-2023 left without significant agreements announced, on the promise that Venezuela would catch up on payments. PDVSA's lack of vessels, frequent export terminal power outages and poor-quality crude oil had left Venezuela struggling to complete its side of the Iran bargain at the planned pace. More recently, the easing of U.S. sanctions has increasingly led Caracas to prioritize selling its oil to other nations, cutting into its swaps with Iran.

Petrobras receives refinery tender bids – *Bnamericas*

Consag, Tenenge and Conenge presented the highest bids in a tender launched by Petrobras for the expansion of the Abreu e Lima (RNEST) refinery in Pernambuco state. Consag offered 3.64bn reais (US $730mn) for lots A and B; Tenenge, 5.18bn reais for lots C, D and E; and Conenge 1.92bn reais for lots F and G. Construcap and UTC saw their bids for lots F and G beaten. No offers were presented for all lots combined.

The tender involves the construction of RNEST's second refining train. Works are scheduled to be completed in 2028, when the plant will have capacity to process 260,000b/d of oil. Construction is planned to begin in the second half of 2024. If the commercial proposals submitted are validated, Petrobras will begin negotiations with the bidders. In January, Petrobras said it intended to invest between 6bn reais and 8bn reais in the expansion of RNEST.

In addition to the completion of train 2, the project includes the construction of the first Snox unit in Brazil, which will transform sulfur oxide and nitrogen oxide into a new product for sale. Under the responsibility of the Conenge-SC/Possebon consortium, work on this part is underway, and the unit should begin operating in 2024.

Also this year, work is planned to begin on revamping the plant's train 1, which will provide increased loading, better flow of light products and greater capacity for processing pre-salt oil. The revamp of train 1, contracted to Engecampo, is expected to be completed in the first quarter of 2025. Meanwhile, Petrobras reported that it is continuing discussions with Mubadala Capital to acquire a stake in the Mataripe refinery in Bahia, and on a project under development for an integrated biorefinery. The company said that it will begin the business evaluation phase, which will include due diligence and discussion of the appropriate business model for each one.

The scope of potential investments and the development of new technologies will also be discussed with Mubadala Capital. The Mataripe refinery has processing capacity of 333,000b/d and its assets include four storage terminals and a set of oil pipelines that connect the refinery and the terminals, totaling 669km. The integrated biorefining project, with projected production capacity of 20,000b/d in the initial phase, includes a plant to produce renewable diesel and sustainable aviation kerosene from vegetable oil from native crops, with operations in the states of Bahia and Minas Gerais.

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