Energy Fortnightly News

June 1-15, 2025

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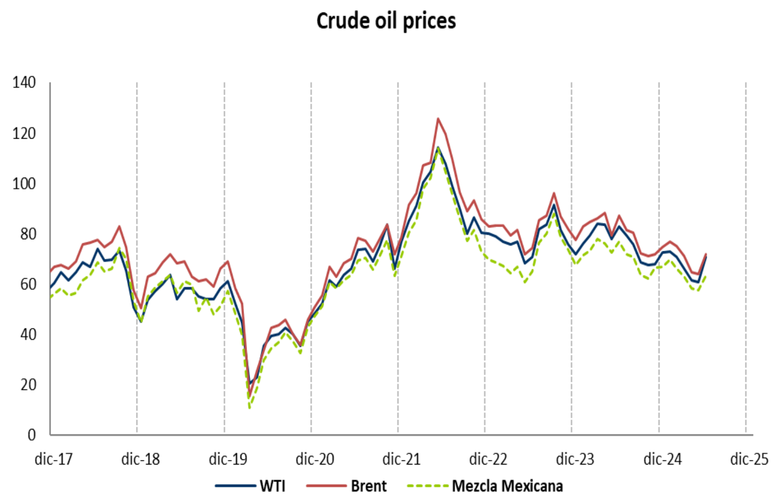
Fortnightly review

* 13/06/2025

MME US/BD*	63.19
MME US/BD* PEF SHCP	58.40
Dif. MME AVG. 2025 vs. MME PEF SHCP	5.72
NG price HH* US/MMBTU	3.55
Mx crude production MMbd – April	1.36
Mx NG production MMpcd – April	4,499
US crude production MMbd - March	13.48
FX Rate*	18.93



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

Oil & Gas - Mexico

Frustrated by Pemex, Hokchi pushed to change who buys its oil – *Reuters*

Hokchi Energy, frustrated by months of delayed payments for its oil and gas from state company Pemex, has sought to change its contract so it can do business directly with the company's commercial arm, PMI Comercio Internacional.

PMI, which exports crude oil and imports refined fuels such as gasoline and diesel, is widely seen as a more reliable business partner than Pemex, one source said. The attempt to change the contract is the latest twist in a long-running saga of Pemex's delayed payments to Hokchi Energy, one of Mexico's largest oil and gas producers, which is among a growing number of companies reluctant to work with Pemex, the world's most indebted energy company. Under the proposed new contract, Hokchi Energy would sell directly to PMI, in the same way as if it were selling to any global trader. Under the existing contract, Hokchi Energy sells its production to Pemex and is dependent on getting paid by Pemex, which can use the production in its own refineries or sell it via PMI to buyers worldwide.

Hokchi Energy had already tried twice to change terms of the contract, making its second attempt earlier this year in hopes Mexico's new government would be more inclined to accommodate the request, but the request was denied. All sources spoke on the condition of anonymity because the matter is commercially sensitive. Mexican Energy Minister Luz Elena Gonzalez denied the request this year, according to the other two sources. Neither the energy ministry nor Pemex responded to a request for comment.

Hokchi Energy operates the shallow-water Hokchi field in the Salina del Istmo basin in the Gulf of Mexico, secured through the 2014 landmark energy reform that opened the country up to private investment.

The field produces some 23,000 boed. Hokchi Energy said in a statement that "our dialogue with Pemex is constant and productive" and "our operations have been maintained." The total debt Pemex owes to Hokchi Energy amounts to around $380 million, the exact value fluctuates because it is for crude, which is priced daily. Pemex itself disclosed debts invoiced to the company of $92.41 million in 2024 and $88.66 million this year. A source said the real debt is higher than disclosed because some outstanding invoices have not been included.

In 2023, Hokchi Energy took legal action against Pemex to demand it pay the money it owed. Hokchi Energy filed another lawsuit in recent months, a source added. Pemex also owes some $20 billion to service providers like Baker Hughes, Halliburton and SLB, official filings show, as well as smaller Mexican companies, some of which have warned that they could go bankrupt as a result of Pemex not paying. Even when owed substantial amounts, companies are reluctant to speak out or take legal action for fear of being penalized by the state behemoth that dominates the energy market.

Carlos Slim’s strategic bet: how Mexico’s richest man is reshaping Pemex’s future – *Rio Times*

Carlos Slim, is quietly becoming a central figure in the country’s energy sector. Official company statements and regulatory filings confirm that Slim’s Grupo Carso is negotiating with Pemex, to finance and develop two of the nation’s most important oil and gas fields: Zama and Ixachi.

Zama sits in the Gulf of Mexico and holds an estimated 600 to 800 MMboe. Pemex currently owns just over half of Zama, while Talos Mexico (in which Grupo Carso owns 49.9%) and Harbour Energy own the rest. Developing Zama will require $4.5 billion. Grupo Carso could cover Pemex’s share of that investment. Ixachi, located in Veracruz, is one of Pemex’s most significant gas discoveries in decades.

Grupo Carso’s involvement aims to boost domestic gas production and reduce Mexico’s reliance on imports. Slim’s companies will provide capital and technology for extraction and processing, allowing Pemex to expand without taking on more debt. Slim’s recent $1.2 billion investment in the Lakach deepwater gas field, also in the Gulf of Mexico, further highlights his growing energy ambitions. Grupo Carso will build onshore facilities to process gas and condensates, while Pemex retains ownership of the reserves. The Lakach project, set to begin production by 2026, could become a model for future public-private partnerships in Mexican energy.

Slim’s energy strategy stands out because he invests at a time when most foreign and domestic players avoid Pemex. Pemex’s budget for 2025 will be $22.75 billion, down 7.5% from the previous year. Analysts warn that this tight budget makes it hard for Pemex to maintain, production.

Pemex's ESG credentials under fire as sulfur oxide emissions soar – *Bnamericas*

Budget cuts at Pemex are leading to soaring emissions of harmful sulfur oxides and are endangering one of the main targets of the company's sustainability plan. In the first quarter of 2025, Pemex’s emissions of sulfur oxides increased by 28.9% year-on-year to 385,000t. According to Mexico City-based think tank IMCO, the company's emissions reached their highest level for a quarter since 2011.

Pemex blamed the rise on increased gas flaring in the upstream and on the poor performance of sulfur recovery systems in its oil refineries and at its gas processing complexes. According to Pemex, a sulfur recovery unit at the Ciudad Pemex gas processing complex in Tabasco state has been shut down since April 2024 and is undergoing "major repairs." The rise in emissions is sharply at odds with the targets of Pemex's sustainability plan, published in 2024. The plan commits the company to cutting sulfur oxide emissions in its gas processing centers by 90% by 2030, compared with the level in 2021.

Citing "budgetary restrictions," the company has also suspended a project to construct new sulfur recovery facilities for use in the production of ultra-low-sulfur-diesel. The Mexican government has slashed Pemex's capital expenditure budget for its downstream business by 27% to US$1.1bn in 2025 from US$1.5bn in 2024.

Mexican crude oil and natural gas has a high sulfur content. At its oil refineries and gas processing centers, Pemex uses specialist industrial facilities to remove sulfur from hydrocarbons and produce sulfur and sulfuric acid for sale. When those units are not working, harmful sulfur dioxide is emitted into the atmosphere, where it can also react with other substances to form particulate matter.

Naturgy to invest MX$276 million in Aguascalientes – *Business Mexico News*

Naturgy will invest MX$276 million in Aguascalientes to establish operations in the state. Naturgy, Latin America’s largest natural gas distributor, plans to build a City Gate in the northern part of the state during the first phase of the project to expand natural gas supply to local industry. A natural gas City Gate is where gas moves from a transmission pipeline into the local distribution system, which then supplies gas to homes, businesses, and industries.

The company, which has a presence in 25 countries and serves 16 million customers globally, is positioning its investment as a strategic move to support the growing industrial base in central Mexico.

Pemex to save $250 million over two years in reorganization – *Reuters*

Pemex, plans to save 4.8 billion pesos ($250.04 million) over the next two years as part of an institutional reorganization. In a regulatory filing, the state behemoth said 3.53 billion pesos would be saved this year and the rest the following.

Layoffs at one of the country's largest employers would make up 1.4% of historical full-time positions, Pemex said, adding that 71% of its total payroll spending would go to operational areas.

Power/Renewable Energy – Mexico

GreenGo Energy expands renewable operations in Mexico – *Business Mexico News*

The Danish company GreenGo energy announced it would expand its operations in Mexico from engineering to full-scale construction of renewable energy parks. Its primary focus will be utility-scale solar and wind facilities, as well as battery energy storage system (BESS) technologies for standalone or integrated projects.

GreenGo has been in Mexico since 2014 under its subsidiary GoGreen energy, when it tapped into the commercial and industrial solar sector. Today, its local team consists of 15 engineering professionals. Jean-Christophe Girouard, Global COO, GreenGo Energy, emphasized that Mexico offers a promising landscape for renewable energy development. By focusing on solar, wind, and battery storage, GreenGo aims to enhance grid stability while delivering lasting environmental and economic value.

Xinfra to acquire Huinalá power plant for MX$5.1 billion – *Business Mexico News*

Xinfra Fibra E, an investment trust focused on energy and infrastructure, completed a stock placement of MX$5.1 billion destined to finance the acquisition of the Huinalá combined-cycle energy plant, located in the ProPark Industrial Park in Pesqueria, Nuevo Leon. The Huinalá power plant has a capacity of 142MW with seven Wärtsilä natural gas engines, each 18.7MW, and a 11.5MW steam turbine, with a useful life of more than 40 years.

The power plant holds two permits from CRE: an export permit and a generation permit. For its power generation, the plant has natural gas purchase and sale agreements with both Kinder Morgan and Rainbow Energy Marketing Corporation. Additionally, it has a 15-year natural gas transportation contract with the Mier-Monterrey Gas Pipeline, also owned and operated by Kinder Morgan.

Huinalá's plant processes natural gas into electricity, which is then delivered to EdC. This electricity is exported by Huinalá to Guatemala and imported by EdC under a processing, transformation, and delivery contract active until July 31, 2031. The energy produced by this power plant represents about 9% of all the energy consumed in Guatemala.

The generation plant is connected to transmission grids in both Mexico and Guatemala, holding the necessary permits to dispatch energy and handle additional energy and capacity sales in both countries. While the majority of its electricity, 120.15MW out of 142 MW, is supplied to Guatemala, 22.5MW of capacity is available in Mexico’s wholesale electricity market according to prices set by the CENACE.

Latin America embraces unconventional oil and gas exploration – Wood *Mackenzie*

According to Wood Mackenzie's latest Global Unconventional Roundup, Mexico and Argentina have significant potential for increased oil and gas production through unconventional resource development. "As conventional reserves decline globally, we're seeing a resurgence of interest in unconventional resources across several continents. This shift is particularly pronounced in Latin America, specifically in countries like Argentina and Mexico, with Argentina leading the efforts while Mexico is starting to have discussions about it. Increased development of these resources could potentially transform the regional energy landscape," said Josh Dixon, Senior Research Analyst at Wood Mackenzie.

Argentina has already made significant strides in this area, particularly with its Vaca Muerta shale play. The country aims to increase oil exports to 1 MMbd by 2027, driving investment in midstream infrastructure. In this context, the Vaca Muerta shale play remains the largest unconventional oil project outside North America. The North Hub area currently produces 27,000 b/d, and it has the potential to increase its output by 280,000 b/d, but requires additional pipeline capacity.

"The North Hub area of the Vaca Muerta has the greatest room to grow. Today it produces around 6% of total Vaca Muerta liquids, but that could grow to almost one-third if undeveloped areas are brought online. Pipeline buildout and prompt agreements on areas announced as potential divestments by TotalEnergies and Equinor will be essential to facilitate growth," said Adrian Lara, Principal Analyst at Wood Mackenzie.

While Argentina is leading the efforts, Mexico has established ambitious goals for its energy sector, aiming to produce 1.8 MMbd and 5 bcfd by 2030. However, delivering these production targets solely through traditional extraction methods appears unlikely. "Given this scenario, tapping into alternative energy resources could offer a viable solution, as Mexico possesses untapped unconventional resources in various regions across the country. According to Wood Mackenzie's analysis, the Agua Nueva formation, equivalent to the Eagle Ford shale in the US, is considered Mexico's most promising area for shale gas development. In an optimistic scenario, this region has the potential to produce up to 2.5 bcfd of natural gas. While unconventional production volumes to date have been limited, the region contains substantial unconventional gas resources with significant development potential.

Argentina and Mexico are increasingly viewing unconventional resources as a means to achieve multiple energy objectives, ranging from enhancing energy security to meeting domestic demand and increasing export revenue. However, success will depend on continued investment, technological advancements, and supportive policy frameworks. If the right conditions are met, this could significantly boost domestic production, reduce reliance on imports, and potentially create new export opportunities.

Brazil's oil & gas M&As dry up in 1Q25 – *BNamericas*

M&A's in Brazil's oil and gas sector declined in the first quarter of 2025, according to KPMG. There was only one transaction during the period, compared with four in the first three months of the previous year. The deal was the sale by Prumo Logística of 70% of Vast Infraestrutura to China Merchants Port, media reported in February.

"It's important to put this into context. This movement doesn't necessarily indicate a structural negative trend, but rather a temporary adjustment in a scenario marked by volatility," Bruno Marcondes, a partner at KPMG, told BNamericas. One factor behind the slowdown is pressure on oil prices, influenced by rising global supply, particularly due to recent production increases by OPEC, which has led to more conservative asset valuations. Another factor cited by the consultant is the uncertain domestic regulatory environment, especially regarding environmental and tax matters, which raises perceived risk for investors. Marcondes also pointed to the high cost of capital, driven by still-elevated interest rates, and significant geopolitical risks as other sources of caution in capital allocation within the energy sector.

"Brazil remains a strategic market, with attractive assets and great growth potential, but we have internal issues that need to be addressed, such as regulatory predictability and legal certainty, to ensure a more favorable environment for attracting investment," KPMG said. He added that there is also room for consolidation in the sector, particularly in the supply chain. In 2024, KPMG tracked a 62% increase in M&A activity in the oil and gas sector compared to the previous year, driven by transactions involving small and medium-sized companies.

Petrobras picks winner in $250 million tender for large specialty vessel – *Upstream Online*

Petrobras has selected the winning bidder in a tender aimed at contracting a large multi-purpose support vessel (MPSV) to assist in operations offshore Brazil. The Brazilian state-controlled company has the world’s largest offshore vessel fleet, and often uses versatile and powerful MPSVs for a wide range of work involving subsea construction, well intervention and offshore accommodation support. Three shipping companies presented commercial offers in the tender back in March, and after analyzing bids, Petrobras picked Norway’s AKOFS Offshore to supply the MPSV.