Energy Fortnightly News

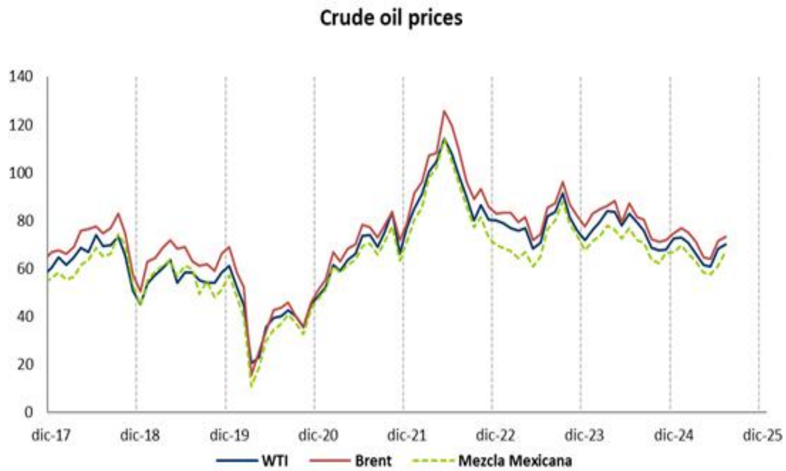
September 1 - 15, 2025

Table of Contents

Fortnightly review

** 15/09/2025*

*MME US/BD**	*61.30*
MME US/BD PEF SHCP*	*58.40*
Dif. MME AVG. 2025 vs. MME PEF SHCP	*5.32*
NG price HH US/MMBTU*	*2.94*
Mx crude production MMbd – July	*1.37*
Mx NG production MMpcd – July	*4,602*
US crude production MMbd - June	*13.58*
*FX Rate**	*18.47*



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

Oil & Gas - Mexico

Moody's upgrades Pemex's ratings to B1 – *Moody´s Ratings*

Moody's confirmed Pemex baseline Credit Assessment (BCA) of ca, which reflects its standalone credit strength. At the same time, we upgraded Pemex's Corporate Family Rating (CFR), the backed senior unsecured ratings on the company's existing notes, as well as the backed senior unsecured ratings of Pemex Project Funding Master Trust, to B1 from B3. We also upgraded both entities' backed senior unsecured MTN program to (P)B1 from (P)B3 respectively. The outlooks were changed to stable from ratings under review. "The ratings upgrade reflects a stronger commitment from the current administration of the Government of Mexico to support Pemex meet its financial obligations. The Strategic Plan 2025–2035 marks a shift in the government's approach, with three coordinated transactions that represent a meaningful step toward strengthening Pemex's financial position for the next five years. However, Pemex continues to face persistent structural challenges, which we expect will continue to pressure its financial performance and result in sustained negative free cash flow." said Roxana Muñoz, VP – Senior Credit Officer at Moody's Ratings.

The confirmation of Pemex's Baseline Credit Assessment (BCA) of ca reflects our expectation that the company will continue to generate negative free cash flow as a result of persistent operational challenges, including declining production due to limited capital investment and ongoing losses in the refining segment.

While the Strategic Plan outlines the potential use of the Investment Fund to support capital expenditures further details will be key to assessing its viability and attractiveness to private sector participants. Although this strategy represents an important step toward improving Pemex's liquidity conditions, the company still faces significant cash needs related to operational losses, supplier payments and debt amortizations. Unless structural measures are implemented to effectively reduce these cash requirements, the ratings will remain constrained.

The upgrade to B1 incorporates our revised assumption of government support to Very High from High. The change reflects recent actions taken by the Government of Mexico under "Pemex's Strategic Plan 2025-2035", which signal a structural shift in the level of support provided to the company. Pemex, in coordination with Mexico's Ministry of Finance and Mexico's Ministry of Energy, is executing a financing strategy under which Mexico will commit future equity-like contributions to Pemex through the $12 billion P-CAP structure and will partially fund investments in the upstream business and suppliers through the Investment Fund for Pemex.

Additionally, Pemex has launched a tender offer of up to $9.9 billion for its long-term debt, supported by government transfers funded through sovereign debt issuance. While these measures provide short-term relief to Pemex's liquidity pressures—particularly around revolving credit facilities, credit lines, and upcoming maturities—the company's ca BCA continues to reflect substantial funding needs. These are estimated at approximately $7 billion per year in both 2026 and 2027, driven by ongoing operational challenges and remaining debt maturities.

An upgrade of Pemex's ratings could arise if Pemex puts in place a sustainable strategy with evidence of recovery of the operating performance and cash flow generation. Factors that could lead to an upgrade of the BCA and potentially a higher rating for Pemex would include the ability to strengthen further its liquidity position and internally fund sufficient capital reinvestment to fully replace reserves, deliver modest production growth and generate free cash flow for debt reduction. A downgrade of the Government of Mexico's Baa2 rating would likely result in a downgrade of Pemex's rating.

Pemex seeks $10 billion buyback with government-raised funds – *Bloomberg*

Pemex is offering to buy back some $10 billion worth of its global bonds with cash raised by the Mexican government. The state-owned driller is looking to repurchase 11 series of notes denominated in euros and dollars due between 2026 and 2029. The Mexican government will seek financing before the offer expires and hand over the proceeds to fund Pemex’s buyback.

The deal is the latest sign of government support for the oil behemoth, which is struggling with around $100 billion of debt. Mexico already sold $12 billion in so-called pre-capitalized securities in July to shore up resources for the company. That transaction earned the junk-rated driller a double-notch upgrade from Fitch Ratings, which cited a stronger relationship with the sovereign for its decision.

A successful buyback would reduce the company’s maturity wall for the upcoming year, which stands at roughly $19 billion. Pemex also has around $5.1 billion in bonds maturing in the second half of 2025, and owes roughly $20 billion to its service providers. Mexico registered to sell as much as $15 billion in debt in the future, stating the government may come to market “from time to time” after the registration becomes effective.

While the recent financing schemes broadly address Pemex’s short term financing needs, analysts are skeptical the plan does enough to address the driller’s operational woes, as the company deals with aging oil fields, a bloated workforce, and a spate of explosions and accidents that have led ESG-minded investors to flee. The company hired BofA Securities, Citigroup Global Markets and JPMorgan Securities LLC as leads on the transaction, while HSBC Securities, MUFG Securities Americas and Scotia Capital are also deal managers. The offer will expire on Sept. 30 at 5 p.m. NY time, according to the statement.

Mexico sees budget deficit lower in 2026 as growth ticks up, despite uncertainty – *Reuters*

Mexico expects its budget deficit to fall slightly in 2026 to 4.10%, as GDP growth is seen ticking up. Mexico's government has been under pressure to narrow the deficit, which it now expects will close 2025 at 4.32%, while maintaining a pledge to boost social programs and shore up the finances of highly indebted state oil firm Pemex.

The government forecasts Latin America's second-largest economy to expand between 1.8% and 2.8% - an increase of 1.3 percentage points on both ends of the range. That is rosier than both the IMF's growth forecast, which sees a 1.4% expansion in 2026, and the Bank of Mexico's most recent forecast of 1.1% growth. The ministry also put its inflation forecast for end-2026 at 3.0%, meeting the target set by the Bank of Mexico, which sees inflation converging to target in the third quarter next year. Along with a slowdown in inflation, the ministry points to a relaxation of the country's monetary policy. "The Bank of Mexico's benchmark interest rate is expected to close at 7.25%, 75 basis points below the original forecast," the budget draft projected for 2025, adding that the rate is expected to continue declining to 6% through 2026.

Banxico, brought its benchmark interest rate to its lowest level in three years last month with a 25 basis points cut that brought the rate to 7.75% in a divided decision. Pemex is slated to receive some 263.5 billion Mexican pesos ($14.14 billion) from the government in 2026 to help the firm meet its debt and loan payments.

US firm plans to triple capacity of LNG export project in Mexico – *Bnamericas*

Developers of a liquefied natural gas (LNG) export plant in the Mexican port of Manzanillo plan to expand the project's production capacity from 3 million tons per year (Mt/y) to 9Mt/y.

Located on the Pacific coast in the state of Colima, the venture aims to import shale gas from the US via pipeline, liquefy it, and export it to Asia and other Pacific markets. The project is being developed by Houston-based Big River Energy and is led by the firm’s principal, Steve Magness. The company said phase one will deliver 3Mt/y of capacity, followed by two additional phases of 3Mt/y each. Commercial operations are expected to begin in 2030.

The developers said they are in the final stages of selecting a partner for engineering, procurement, front-end engineering design and construction. The project has secured gas supply and binding letters of intent from undisclosed LNG buyers. Feed gas will be sourced from the Waha hub in the Permian basin in Texas and transported through the TC Energy Manzanillo – Guadalajara pipeline. The developers are being advised by Mizuho.

Land acquisition in Manzanillo is complete and most permits in Mexico and the US have been obtained. In October 2024, the project received a permit from the US department of energy (DOE) to export natural gas. In its most recent filing, the developers said they were targeting a final investment decision in 2025 or early 2026, with commercial operations scheduled for late 2029 or early 2030. A second Gato Negro LNG project, in Tampico, is at an earlier stage of development.

Mexico’s 2026 budget boosts Pemex, CFE sees largest allocation – *Mexico Business News*

Mexican government has proposed a 2026 budget of MX$517.4 billion (US$9.6 trillion) for Pemex, marking a 7.7% increase in real terms compared with the MX$464.3 billion approved for 2025. For the CFE, the administration of President Claudia Sheinbaum requested MX$554.6 billion, a 1.8% decrease from 2025. Despite the cut, this would be the largest allocation for CFE since 2019.

The government plans MX$263.5 billion in debt amortization transfers to Pemex, conditional on the company matching the amount through improved financial balance. These transfers will reduce liabilities rather than count as budgetary spending. The plan aims for a net decline in Pemex’s public debt by the end of 2026, along with measures to strengthen liquidity, optimize debt maturities, and lower supplier and financial costs. For CFE, a financial surplus of MX$20.7 billion is projected, with federal transfers of MX$87.8 billion, consistent with 2025 in real terms. These resources are part of the National Electric System Strengthening and Expansion Plan 2025–2030.

Power/Renewable Energy – Mexico

Mexico's Esentia to launch IPO to fund US$680mn Natgas pipeline expansion – *Bnamericas*

Mexican pipeline operator Esentia plans to launch an initial public offering (IPO) in October to finance the expansion of its natural gas transportation network. Proceeds from the IPO will fund a US$680 million growth plan, according to a regulatory filing published on September 9.

Esentia, which operates the country’s largest privately owned gas pipeline network, transports low-cost shale gas from the US to power plants, natural gas distributors and industrial users in central and northern Mexico. Expanding the capacity of its gas pipelines will allow the company to meet rising demand from nearshoring and industrial investments in the country. Mexico’s average daily natural gas imports from the US have reached record levels of more than 7.5 billion cubic feet this year, up over 8% from 2024, according to consultancy Wood Mackenzie.

Natural gas is used to generate around 60% of Mexico’s electricity, with roughly two-thirds of the fuel imported from the US. Esentia’s pipeline network supplies about 15% of the country’s natural gas needs and transports some 1.3 bcfd, mainly to power plants operated by state utility CFE. The company’s expansion plan will add another 660 MMcfd of capacity by end-2030 and allow it to increase gas sales to users beyond CFE. Part of the IPO proceeds will also be used to reduce Esentia’s US$1.9bn debt load. The company has not disclosed how many shares it will offer or the capital it aims to raise.

Esentia operates the 2,000km Wahalajara pipeline system, which runs from the Waha gas hub in Texas to the Mexican city of Guadalajara. By increasing capacity on the network, Esentia said it will supply more low-cost US gas to customers affected by declining domestic production from Pemex. Strategic growth sectors include privately developed power plants, fertilizer producers, data centers, mining operations and LNG export projects. Esentia's pipelines are also expected to supply about one-third of the gas needed by the new CFE power plants under development in Mexico.

In April, Esentia signed an exclusive cooperation agreement with Siemens Energy to expand its gas infrastructure and transportation capacity. Esentia is backed by Abu Dhabi's sovereign wealth fund Mubadala and Switzerland-based private equity firm Partners Group. The IPO is being coordinated by BBVA, Goldman Sachs and Scotiabank.

CFE Fibra E returns to markets with international bond plan – *Mexico Business News*

CFE Fibra E is returning to international markets for the first time since 2018, launching meetings with investors this week ahead of a planned bond issuance. The financing vehicle, the only one with access to Mexico's National Transmission Grid (RNT), is moving to secure funds that will support the expansion of the country's transmission network under CFE's 2025–2030 Strengthening and Expansion Plan.

The issuance is part of the financing strategy led by Emilia Calleja, Director General, CFE, and comes at a moment when transmission capacity has become one of Mexico's most pressing energy bottlenecks. Proceeds will be directed to projects that reinforce and extend the RNT, a backbone for industrial activity, economic development, and the government's energy transition and security objectives. Officials expect the bond to receive ratings aligned with Mexico's sovereign debt and CFE's own bonds, underscoring the RNT's strong performance and exclusive business model. The deal is also intended to diversify Fibra E's investor base, strengthen its capital structure, and boost returns for current holders, consolidating its role as CFE's partner in generating resources from the transmission grid.

CFECapital, which manages the vehicle, emphasized its commitment to professional and transparent practices in delivering value for investors while channeling capital into strategic infrastructure.

Oil & Gas - LATAM

Petrobras buys stake in Block 4 in São Tomé and Príncipe – *Reuters*

Brazilian state-run oil firm Petrobras, had concluded the purchase of a 27.5% stake in block 4, located in the African island nation of Sao Tome and Principe, according to a securities filing. Petrobras did not disclose the value of the deal. With this acquisition, Petrobras joins a consortium that includes Shell, the operator with a 30% stake, Galp with 27.5% and ANP-STP holding 15%. The company has been active in São Tomé and Príncipe since February last year, when it bought 45% stakes in Blocks 10 and 13, and 25% interests in Block 11.

The acquisition of Block 4 complies with Petrobras' internal governance procedures and aligns with its 2025–2029 Strategic Plan. This move strengthens Petrobras' exploratory activities in Africa, aligning with its long-term strategy of portfolio diversification and reserve replenishment. With this milestone, the field is on track to potentially become Brazil's largest oil producer by 2025, stated PetrobasThis move.

Oceaneering inks $180M subsea robotics contracts with Petrobras – *Marine Technology*

Oceaneering International has secured multiple subsea robotics contracts from Petrobras. The contracts were awarded during the second quarter of 2025, following a competitive tender. The anticipated aggregate revenue of the contracts is approximately $180 million. Oceaneering will provide work class remotely operated vehicle (ROV) services, specialized tooling packages, and survey services onboard multiple anchor handling and ROV support vessels working on Petrobras projects offshore Brazil.

The scopes of work include ROV support of inspection, maintenance, and repair and decommissioning activities, as well as services related to surface and subsea positioning, FPSO hook-ups, mooring inspections, and pile installations. Each contract has a duration of four years with options to extend. The contracts are expected to commence on various dates in the third and fourth quarters of 2025 and the first quarter of 2026.

Venezuela's oil exports rise to 9-month high as cargoes return to US – *Reuters*

Venezuela's oil exports surpassed 900,000 bpd in August, the highest level since November, after Chevron, received a license that has allowed the OPEC country's crude to return to the U.S. market after a four-month pause, shipping data showed. The U.S. Treasury Department last month issued a restricted authorization for Chevron, one of the main partners of Venezuelan state company PDVSA, to operate in the sanctioned South American country and export its oil. The resumption of Chevron flows to the U.S., coupled with larger cargoes to Venezuela's primary destination of China, led to a 27% increase in exports last month to an average of 966,485 bpd.

Stable output and no outages at crude upgraders and blending facilities in the Orinoco Belt - Venezuela's main producing region - also contributed to higher oil inventories and exports, according to an internal PDVSA document. Exports to China, both direct and indirect after ship-to-ship transfers, represented 85% of last month's total flows out of the country, a reduction from almost 95% in July. Some 60,000 bpd of Venezuelan oil reached the U.S., while Cuba received about 29,000 bpd of crude and fuel. Several cargoes of Venezuelan methanol went to Europe.