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Mexico unlikely to move off US nat gas imports

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San Antonio, 13 November (Argus) – Mexico is unlikely to exchange imports of US natural gas for domestic sources in the near future, despite the rhetoric of the leftward-leaning president-elect, says Tony Payan of Rice University's Baker Institute.

Mexican president-elect Andres Manuel Lopez Obrador will be hard-pressed to deliver on his promise of reducing US gas imports because it would be too financially difficult, Payan said during a panel discussion at the US-Mexico Natural Gas Forum in San Antonio today.

"I don't think that Mexico can do gas cheaper than Texas. Not in the short term," Payan said. "By shifting that into domestic production, Mexico becomes less competitive in its manufacturing."

Payan described Texas as "light-years ahead, especially in prices", and that Mexico would struggle to remain a manufacturing powerhouse in Latin America if it attempts to rely on domestic natural gas.

Lopez Obrador's left-wing political party Morena controls the majority of the Mexican congress. The new administration will take office on 1 December.

The new administration may also seek to return state-owned Pemex to a central position in the Mexican energy landscape, reversing elements of the country's recent energy reform and forcing foreign investors to work with the company.

Much of AMLO's nationalistic rhetoric is likely to focus on crude oil production, the center of Mexico's development in the last hundred years, Payan noted. This could leave open opportunities for foreign investment in other commodities, such as natural gas.

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