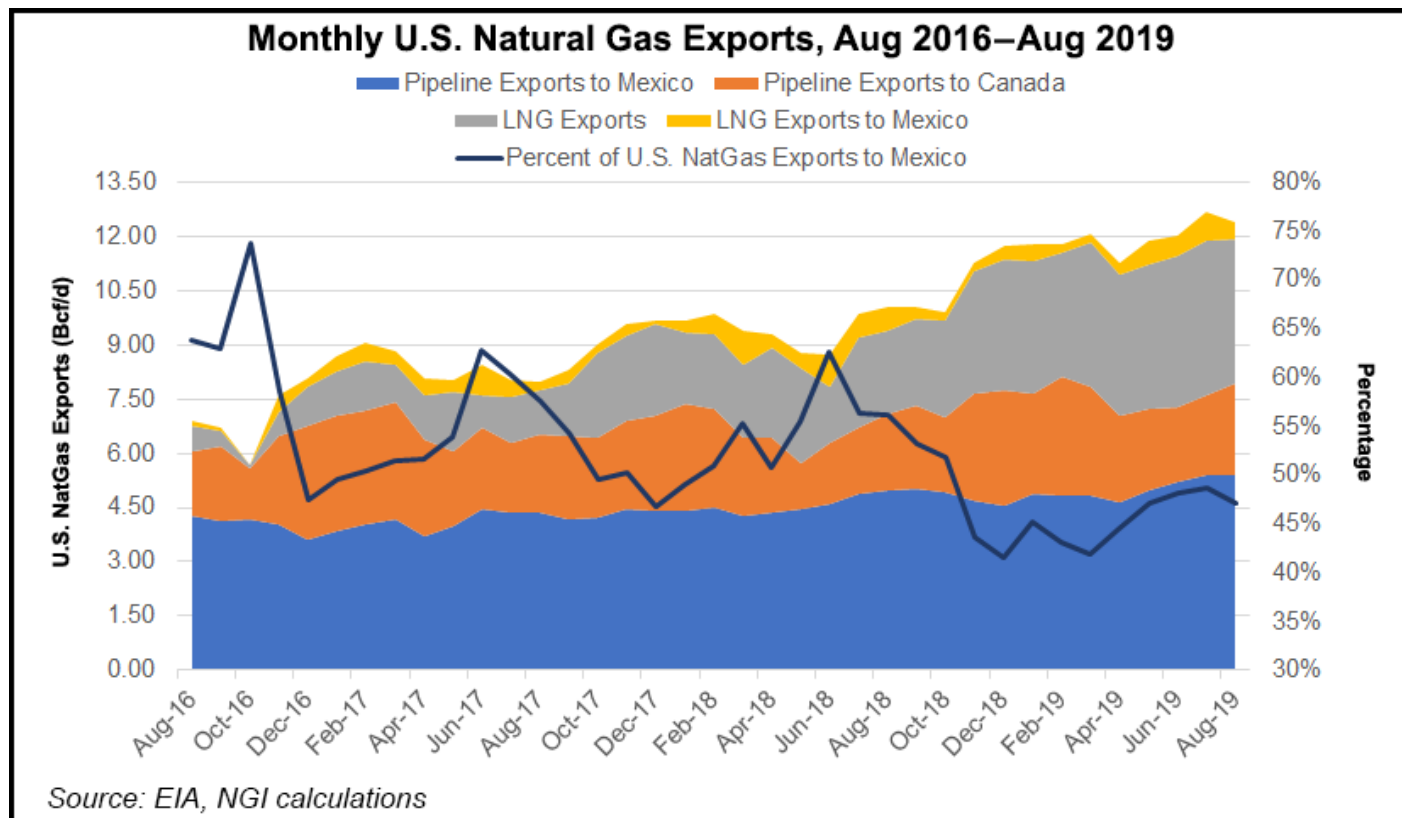


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Despite Uncertainty, Natural Gas Marketers Optimistic About Mexico

[Andrew Baker](#)

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Mexico's natural gas market remains attractive despite recent macro-political uncertainty, according to two executives tasked with developing their firms' respective gas marketing divisions in the country.

"If we didn't believe it was a good market, a good place to be, we wouldn't be here," BP Energy Co.'s Ron Vogel, vice president of marketing for U.S. South/Mid-Atlantic/Mexico, told the US-Mexico Natural Gas Forum in San Antonio, TX last Wednesday, referring to Mexico.

BP Energy is the natural gas marketing arm of BP plc, and operates in Mexico under the name BP Energía México.

BP Energía México was one of three winners in the inaugural [auction](#), conducted in February 2017 by Mexico's Centro Nacional de Control del Gas Natural (Cenagas), for natural gas import capacity into Mexico in the wake of the country's 2013-2014 market-opening energy reform.

Through the auction, BP secured 200,000 MMBtu/d of capacity on the Net Mexico pipeline, which spans 120 miles from the [Agua Dulce hub](#) in Texas to the Mexico border near Rio Grande City.

"We've made huge strides since we started in '17," Vogel said. "Our market presence has grown, [and] customers are getting more sophisticated. They're learning about choice and prices, and capacity, and all the hundreds of terms and things we've learned about in the United States."

Speaking on the same panel, Morgan Stanley's Jean-Baptiste Brom, head of Latin America origination, said he relocated to Mexico City about six months ago to develop the bank's gas and power marketing business.

“We’ve seen the changes in the Mexico markets, we’ve seen what you could call political or regulatory uncertainty to a certain extent at the moment, but we still see it as a very attractive market,” Brom said, adding, “The fact that I moved there is a vote of confidence.”

The uncertainty has been driven by the rhetoric and actions of President Andrés Manuel [López Obrador](#), whose presidency will reach the one-year mark in December.

An opponent of the energy reform, López Obrador has said that national oil company Petróleos Mexicanos (Pemex) and state power company Comisión Federal de Electricidad (CFE) should be the protagonists of the local energy sector, and he has suspended competitive auctions in both the hydrocarbon and power segments.

A highly publicized [dispute](#) over rates paid by CFE for natural gas transport services on a series of new pipelines developed by the private sector has exacerbated market unease, as has the perceived politicization by López Obrador of energy regulatory bodies Comisión Reguladora de Energía (CRE) and Comisión Nacional de Hidrocarburos (CNH).

Despite the volatility, Brom said, “In the long-term, the fundamentals do take over, and the fundamentals are cheap gas in the U.S., strong demand in Mexico, and that’s a story that we want to be part of.”

Given Mexico’s reliance on gas imports from the United States, and the relative lack of liquidity within the Mexican market, Vogel said that a majority of BP’s gas transactions south of the border are priced using the [Henry Hub](#), [Houston Ship Channel](#), or [Waha](#) indexes in the United States, plus the cost of transport.

“I know there’s been a lot of discussion about Mexico [indexes](#)...I think indexes will develop once we get liquidity, and once we get transparency and interconnections between all the pipes,” Vogel said.

Fellow panelist and independent energy analyst Eduardo Prud’homme said “the best candidate” for a pricing hub in Mexico is the industrial hub of Monterrey.

Prud’homme said the Sistrangas national pipeline system converges with Kinder Morgan, Inc.’s Mier-Monterrey system and Howard Energy Partners’ Nueva Era pipeline in Monterrey.

“So you have three pipelines that deliver gas in a very dynamic market with the most sophisticated customers in Mexico,” he said.



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Andrew joined NGI in 2018 to support coverage of Mexico’s newly liberalized oil and gas sector. Before joining NGI, Andrew covered Latin America’s hydrocarbon and electric power industries from 2014 to 2018 for Business News Americas in Santiago, Chile. He speaks fluent Spanish, and holds a B.A. in journalism and mass communications from the University of Minnesota.

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