Mexico's energy reform likely to remain in place despite presidential efforts

By Janet Miranda

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HOUSTON (ICIS)--The Mexican regulatory system should survive the presidency of Andres Manuel Lopez Obrador, said Tony Payan, Director of the Center for the United States and Mexico at Rice University.

He said his comments in a session at the US-Mexico Natural Gas Forum in San Antonio, Texas.

Lopez Obrador's chances of reversing the energy reform, which opened the Mexican energy sector to private investment in all segments of the oil and gas industry, are becoming slimmer as momentum fades.

Already, Mexican Congress pushed the president's power reform into 2022 after a recall vote on the president's mandate planned for March.

The power reform would give state-run utility CFE over half of the market and remove independent energy regulators.

"[The power reform] is not going to work and I think that as more time passes, they are going to lose steam," Payan said. "We already see that within his coalition there's already considerable infighting,"

In the long-term outlook, Mexico's energy reform could remain in place after Lopez Obrador's term ends in 2024. But in the near-term, the current environment may be unfavourable for private investment in the sector.

"[Lopez Obrador] will continue to limit opportunities for investment," Payan said. "It's going to be very difficult to invest in Mexico in the next two or three years, but be ready because his model is not going to work."

Currently, Lopez Obrador has suspended the leasing of any new oil and gas reserves to companies other than state-run oil company Pemex. That could change after the end of Lopez Obrador's six-year term.

The injection of outside oil production, in addition to production from Pemex, would supply the petrochemical industry with more ethane.

Mexico gets most of its domestic ethane from oil wells. Currently, the nation has been importing the feedstock from the US, but these imports are not enough. Mexico's crackers are running below capacity.