

TOP STORY OF THE WEEK

- US-based LNG player New Fortress Energy (NFE) is set to sign contracts with Pemex exploration and production unit (PEP) in Mexico City this week on the US\$1.79 billion project restart at the natural gas-producing Lakach field, with plans for NFE to help PEP complete 7 deep-water wells in hopes of eventually reaching 3.5 Tcf (trillion cubic feet) of NG in potential resources, when paired with nearby gas reserves.
- The LNG project is one of three NFE is developing in the Gulf of Mexico, with one in Louisiana and another off the coast of Altamira, Tamaulipas, in northeastern Mexico to install the country's first LNG export facility in collaboration with state power company CFE. In the global picture, NFE has five LNG projects in development set to turn on 7 MTPA (million tons per year) over the next 20 months, "which is 60% of the expected LNG to come online [worldwide] in the next five years," said NFE CFO Christopher Guinta, speaking November 16 at the US-Mexico Natural Gas Forum in San Antonio, Texas. He added that construction of its Lakach LNG facility would be complete by April 2024.
- NFE has garnered attention as part of a new wave of strategic partnerships with Mexico, along with firms like TC Energy and Semptra Infra. Speaking to Miranda Intelligence on the sidelines of the forum, Guinta said its recent successes in advancing major projects in partnership with Pemex and CFE are tied to NFE's change in strategy towards engaging the López Obrador administration and company leaders directly.
- "It's not just about getting close, it's about listening to what they're asking, if they president is asking for state-owned control of power generation, then we can accommodate that. [If] the president's asking for energy security through getting gas from their reserves to store, then we can accommodate that. Really, we just try to be partners, and help them with what their objective is," added Guinta.
- That said, critics are already jumping on the new deals to claim this new model of direct contact with CFE, Pemex and the gov't are only guaranteed to last while you remain in AMLO's good graces, and even then, all bets are off when he leaves October 2024., where even a successor from the president's own Morena Party could opt for a different tack on natural gas projects.

DEVELOPMENTS IN CONGRESS

- Congress continued its advance on the 2023 budget with the lower house approving Friday a final spending bill earmarking nearly 9bn pesos (US\$460mn) for wide-ranging maintenance works on installations in Veracruz state. These including 2.441bn pesos for work at the refinery in Minatitlán; 2.616bn pesos for production capacity at the ammonia VI plant in Cosoleacaque; 1.095bn pesos to the Cangrejera petrochemical unit for work on auxiliary operations and almost 120mn pesos for the upkeep of the ammonia refrigeration and storage plant at Pajaritos.
- In other news, Morena's hopes for breaking the opposition alliance and passing its sweeping electoral reform package dimmed with PRI leadership backing away from talks with the president's party and reaffirming their commitment to the PAN-PRD-PRI alliance. This as one new poll gives the opposition a real chance at winning the pivotal elections next year in State of Mexico.

CHART OF THE WEEK

- Banorte's economic analysis team said in a note that Fitch's affirmation of Mexico's sovereign ratings Friday cements its investment grade status for now, adding, "In this backdrop, we reiterate our view that Mexico will remain an investment-grade country in the short- and medium-term, anchored by responsible macroeconomic policies and a conservative fiscal stance, despite some remaining challenges on the horizon."
- The following chart outlines the current ratings for Pemex and the sovereign at the three major ratings agencies Fitch, S&P and Moody's. Most investment funds require at least two of the three to lower the ratings of a firm or sovereign below investment grade before triggering forced asset sell-offs on debt.

Mexico and Pemex credit rating

FitchRatings	S&P Global	MOODY'S	
A-	A-	A3	
BBB+	BBB+	Baa1	
BBB	BBB  Sovereign	Baa2  Sovereign	
BBB-  Sovereign	BBB-	Baa3	Investment grade threshold
BB+	BB+	Ba1	
BB	BB	Ba2	
BB-  PEMEX	BB-	Ba3  PEMEX	

Source: Banorte with data from Fitch Ratings, S&P Global Ratings and Moody's Investors Service