



Mexico LNG Sector Could Be Stymied By Supply Competition

Copyright © 2022 [Energy Intelligence Group](#) All rights reserved. Unauthorized access or electronic forwarding, even for internal use, is prohibited.

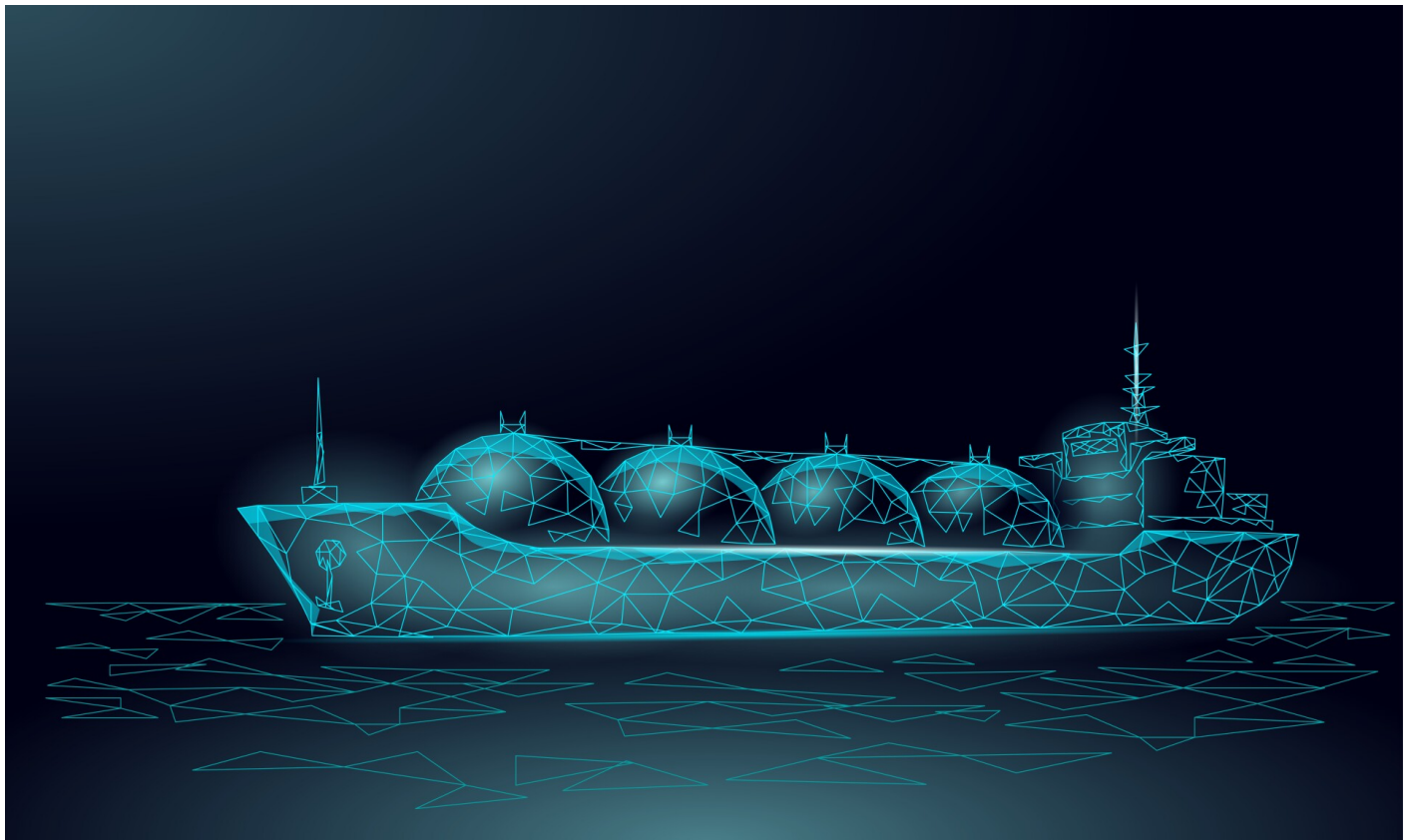
Fri, Nov 18, 2022

Author

[Tom Haywood, Houston](#)

Editor

[Mark Davidson](#)



Enthusiasm for developing an LNG export sector in Mexico was anything but universal at this week's US-Mexico Natural Gas Forum in San Antonio, Texas. While US participants touted multiple plans for developing gas liquefaction and export projects in Mexico, many attendees from Mexico seemed lukewarm toward an LNG buildout.

The reason: it's not apparent how Mexico benefits from exporting US gas from its shores as it struggles to develop its natural gas sector. And long-term, LNG could become an impediment to that effort.

There are compelling arguments for allowing spare capacity on the 5,000 miles of pipelines tendered by Mexico's power utility Comision Federal de Electricidad (CFE) to be used transporting gas to LNG

export projects. The same goes for CFE capacity on other private ventures such as the underused Sur de Texas marine pipeline.

CFE is paying for firm capacity on the pipelines whether it fills them or not, and many of the power plants the capacity was meant to supply are still in development or still burning fuel oil, which Mexico has in abundance.

But that is today, and future gas needs could be quite different as the value of the fuel becomes more evident, a Mexico City-based natural gas marketer told Energy Intelligence on the sidelines of the conference.

"I think the administration [of President Andres Manuel Lopez Obrador] has missed the mark in understanding that natural gas is very important for economic development. Gas has been neglected because it's been seen as a byproduct of petroleum and not as the main event in Mexico," he said. "It's so under recognized that we're thinking about exporting our natural gas capacity instead of using it."

While he said filling CFE's underused capacity temporarily with gas bound for export, he also worried about CFE not being able to recover that capacity when it's needed.

"I hope they're going for a short-term contract," he said. "They still have a lot of things to figure out before actually closing long-term deals."

That need for firming up long-term capacity for export projects could be the Achille's heel for developing a Mexico LNG sector, one speaker at the conference said.

The only project certain to come on line is Semptra's 3.25 million ton per year (0.46 billion cubic foot per day) [Energia Costa Azul terminal](#) in Baja California. It has a dedicated pipeline from the US that is not connected to Mexico's gas grid, so is not usurping capacity Mexico would need for future development.

Consultant Guillermo Turrent, who served as Director of Modernization for CFE when it tendered the 5,000-mile pipeline grid after the 2013 Hydrocarbon Law was passed, told Energy Intelligence that the documents and contracts now guiding the current administration "stipulate exactly how that capacity was going to be used. And I can tell you this: right now it's not for LNG."

But this is not his major concern about building a LNG sector in Mexico wholly dependent on US gas imports.

"I think it's going to be very challenging because there are emerging conditions in the US that could prevent that gas from coming down to Mexico," he said, noting that emergency situations in Mexico are also common that would require halting exports periodically.

"Is Mexico going to keep exporting that LNG or is Mexico going to keep that gas for its own needs and default on their LNG contracts overseas?" he asked. "I think it's going to be very, very difficult to project finance any of those LNG terminals out of Mexico just for the reason of security of supply."

Topics: [Gas Pipelines](#), [LNG Projects](#), [LNG Demand](#), [Policy and Regulation](#)