

Mexico energy outlook is slow diplomacy - panellists

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SAN ANTONIO (ICIS)--Mexico's energy policies are unlikely to change drastically in the next two years despite the possibility of the ongoing trade dispute going to a panel, but situations may improve for some, according to speakers presenting on 14 November at the US-Mexico Natural Gas Forum in San Antonio, Texas.

Tony Payan, director of the Center for the US and Mexico at Rice University, said the administration of Mexico's president Andres Manuel Lopez Obrador (AMLO) may eventually allow more private sector involvement in energy but that all permits will essentially come from the country's national palace.

Payan said that he does not see Mexico returning to a rules-based investment climate soon, referring to the highly-personalistic leadership style of AMLO and his key energy cabinet members.

The energy policies pushed by these cabinet ministers triggered in July US and Canadian requests for consultations under the US-Mexico-Canada trade agreement (USMCA) that have passed a critical initial period and faced a recent change in leadership and senior staff at Mexico's ministry of the economy.

Mexico, the US and Canada remain in a non-contentious stage of the process, but Payan said that if Mexico does not relent, the next step of establishing a panel will come in the dispute.

Payan said he believes the US has been slow to respond to the energy issues in Mexico in part to deprive AMLO of the ability to play a nationalist card in domestic politics.

Payan also said that the US was likely focusing on slow pressure diplomatic measures. "If diplomats know one thing, it's patience, and they are pushing slowly," he said.

USMCA OUTLOOK

Jose Maria Lujambio, partner and energy practice director at Cacheaux, Cavazos and Newton, stated in a separate presentation that he also thought that the US was slow to respond to the energy issues in Mexico but that it was good that there has been a response.

Lujambio said the USMCA consultations remain in a non-contentious stage but that the first stage timeline is over.

The attorney said this means that at this point either the US or Canada could request a panel to settle the dispute.

While Lujambio said he does not believe the US or Canada will likely take such a step in the near future, it is likely the US is holding interagency dialogues to determine the best next steps and a timeline for action that would be appropriate.

Payan, however, said he does not believe the US federal administration has an overall strategy on Mexico.

The researcher said there may be small victories in Mexico for some companies with the right pitch that matches projects that are attractive to the AMLO administration but that they will not see change in energy policies.

"The most you can expect in 2023 is for more permits to be issued," Payan said.