

# ENERGISING INVESTMENT IN MEXICO - BASHAM

*Posted on 2 September 2013*



Category: [Special focus: Latin America](#)



**Since Mexico's expropriation of its energy resources in the 1930s, its hydrocarbon industry has remained off-limits to the private sector, explains Juan Carlos Serra, an Energy and Mining Partner at Basham, Ringe y Correa in Mexico.**

Recent and much-anticipated reforms only allow for third-party participation in the supply of services to state-owned sectors. But, says Serra, the reforms have brought more flexibility to the exploitation of resources, even though the end client remains the Government. The private sector, for example, participates in electricity generation with the construction and management of wind farms, but the final client remains either the Federal Electricity Commission or the private parties who have created/acted as shareholders in the entity generating the electricity, he says. The reforms also incentivised contracts under which firms supplying, for example, Petróleos Mexicanos (Pemex) are paid for production quotas, even though the resources produced remain the property of Pemex. "Pemex has also created partnerships with private firms in the petrochemical sector, allowing their participation in the secondary process, while retaining a monopoly over all

basic petrochemical processing."

There is a strong debate on the possibility of opening the energy sector to private firms, he says, although one of the options that has been informally discussed is for Pemex to set up a second company dedicated to specific projects, creating joint ventures to maximise production and efficiency, which would be both more accessible and more attractive to investors.



In the liquefied gas sector, private firms have been awarded concessions to operate in the increasing network of sea terminals and related infrastructure.

But renewable energy is gaining ground, and further reforms to the sector are expected. Serra considers the renewable energy sector as offering the greatest opportunities to investors, as well as infrastructure works, such as replacing the outdated distribution network.