

MEXICO ENERGY SECTOR WILL BE NEXT INVESTMENT HOTSPOT - GREENBERG TRAURIG

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Opening up the oil & gas and power sectors presents opportunities for Spanish companies and makes Mexico attractive in comparison to other Latin American countries

The opening up of the oil and gas sector, as well as the power sector, will make Mexico the next investment hotspot in Latin America, according to Greenberg Traurig partner Emilio Alvarez-Farré, who specialises in joint ventures and financings. "We have yet to see how Mexico will implement the enabling legislation but international parties are very interested in potential deals," says Alvarez-Farré. "There should be attractive business opportunities for Spanish companies in the industry, such as Repsol, Iberdrola and Abengoa."



Robert Downing, a Greenberg partner specialising in energy matters, adds that, while the secondary legislation regulating the proposed liberalisation of the market is pending, a strong financing component is key to developing the sector. "The legal and regulatory framework needs to be friendly for foreign investment and project finance, and Mexico is keen to establish better standards to attract capital," he says. "The government has looked towards other regimes, such as those in Colombia, Brazil and Peru, for inspiration to make the market attractive for investors."

Downing predicts a period of transition between the old and new systems when many regulations may need to be finessed. For example, what level of incentives will the government offer market participants? How will the regulatory requirements influence the governing documentation, such as power purchase agreements? How will the secondary market for energy shape the sector? How will new regulatory agencies function under the revamped system? The answers are not yet clear, but Downing stresses that there is a core desire to bring in more international investment and expertise.

"Local governmental entities often do not have the resources to invest the billions of dollars needed to construct or improve energy infrastructure – there is a need to bring in private sector skills and finance."

Alvarez-Farré adds: "Mexico has a stable track record – the opportunities offered by the energy reforms should appear even more enticing given the turmoil in other parts [of Latin America]."