Reconnoitre Energies

ENERGY MATTERS

Energy matters – What is in your in-tray?

By Chris Sladen

3 June 2024 | Published with Anzmex.org

In Mexico, the votes have been counted. The next President and her incoming Administration will face many challenges in its energy sector over the next few years. To assist you understand these, here is my A to Z quick reference guide to Mexico's energy issues:

- Air quality. Cities have major health issues; cleaner fuels, green power & better energy efficiency are crucial.
- Bribery & corruption. A problem that does not go away, high profile cases continually tarnish the energy sector.
- Climate change. CO , emissions are not going down, weather events are more extreme; Net Zero is a long haul.
- Dos Bocas (Olmeca) refinery. Vastly over-budget, it is yet to operate at full capacity, efficiently, and create value.
- Electricity. Demand growth ~4% & blackouts show that more generation, storage & distribution are must haves.
- Finance. State cos have >US$100bn debt, other burdens are fuel subsidies & lenders with serious ESG concerns.
- Geothermal. Forming part of the Ring of Fire, only a tiny part of the potential for base-load heat & power is used.
- Hydrogen. Clean power making H , & NH ƒ offers low CO , & security; clear policies, incentives & pricing are key.
- Infrastructure. Expanding pipelines, cables & ports is vital to avoid gas, power, fuels & oil products shortages.
- Just transition. With >40% poverty, delivering energy security & a transition affordable for all society is formidable.
- Ku Maloob Zaap. The no.1 producing oilfield is in strong decline & has complex operational & EOR problems.
- Lithium. Recently nationalised, the challenge is how to quickly create a thriving mining & processing industry.
- Methane. Satellites have identified major gas venting & flaring raising urgent global calls for Mexico to act.

- Natural gas. ~60%, 6 bcf/d is from US, mostly shale; nearshoring, exports of LNG, & petrochemicals all need more.
- Oil production. Over the last 12 years, daily volumes keep going down, with a State-centric policy & few options.
- Politics. More use of the courts & amparos, and demise of independent regulators, adds yet more complexity.
- Quesqui. The most important onshore oil find for Pemex in 30 years is HPHT and plagued by huge gas flaring.
- Reserves replacement. With no O&G bid rounds, little exploring & shale off limits, Ixachi field in Veracruz is vital.
- Solar. PV offers ultra-low cost clean power, but grid connection issues & policy is holding back investors.
- Theft. Tapping of refined products from pipelines & smuggling are rising with daily multimillion US$ losses.
- Unpaid invoices. State energy cos are destroying their supply chains of hi-tech know-how; US$~15bn is overdue.
- Vehicles. EV & hybrid uptake is slow while congestion & pollution increase; China looks to seize the EV market.
- Wind. Onshore investors face stalled permitting whilst offshore bid rounds could kick-start a new green industry.
- X-Border. More gas to Mexico & less crude to USA shifts the trade balance, while oil export to Cuba adds tension.
- Yet-to-find. YTF of undiscovered oil & gas is falling with poor E&P results in deepwater & many IOCs exiting.
- Zama. Found in 2017 by an IOC but now Pemex operated, this giant high-value field is still years from 1st oil.

The in-tray is looking pretty full in Mexico. What the candidates and political parties said they would do if elected, no longer really matters. It is now about what the winning team are actually going to do when they take power. It will be a fascinating time as the new Government chooses its energy priorities and sets course. Maybe it will be as easy as A, B, C…?

About the Author

Chris writes an occasional series of topical articles on energy for ANZMEX. Between 2019 and 2024 he authored a series of 50 widely read ANZMEX 'Energy Matters' op-eds that tackled big energy issues using real-life personal experiences, and extensive research. Chris runs an award-winning advisory service, Reconnoitre Energies, offering insights to inform, shape a decision, policy & regulation, and guide the next steps for energy ventures; he is also a non-resident fellow at the Institute of Americas. Chris has worked in over 40 countries and published extensively over five decades.

Chris has an energy career of over 40 years, living in Mexico (2001–2018), Russia, Vietnam, Mongolia, China & UK. His contributions to the energy and education sectors have been recognised by the UK Government with both an MBE and CBE, and also the Aztec Eagle from the Mexican Government — the first foreigner in the energy sector to achieve this award. Chris' articles for ANZMEX reflect his experience and enthusiasm and are often also later published to a global audience in the USA, UK and Singapore. They are not paid for in any way.

Send your feedback to:

chris.sladen@reconnoitre.ltd