

Mexico's New Energy Sector Reform

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On March 19, 2025, the new energy reform for Mexico came into force, which consists of eight laws, including (i) Law of the State Public Company *Comisión Federal Electricidad*, (ii) Law of the State Public Company *Petróleos Mexicanos*, (iii) Law of the Power Sector, and (iv) Law of the Hydrocarbons Sector.

Power Sector

In the power sector, the Federal Electricity Commission (CFE) changed its legal nature by becoming a State public company, whose purpose will be to seek energy justice, sustainable development of power generation, storage, transmission, distribution, commercialization and supply activities, as well as the contribution of Internet and telecommunication services with the State. CFE subsidiary companies have been extinguished, consolidating all the activities of the sector in a single CFE.

In terms of the Law of the Power Sector, the CFE will have priority to generate, at least, 54 percent of the annual average of the electricity that is supplied into the grid.

Power transmission and distribution, as well as basic supply, will be an exclusive activity of the CFE, while individuals may participate in power generation in any of the following modalities: distributed generation (the threshold is increased to 0.7 MW), self-consumption (interconnected or for self-consumption) and generation for the Wholesale Electricity Market, either individually or in association with the CFE through a mixed development scheme.

Hydrocarbons Sector

In the hydrocarbons sector, *Petróleos Mexicanos* (Pemex) will be treated as a state public company, whose purpose will be to preserve the sovereignty, security, sustainability, self-sufficiency and energy justice of Mexico, which means a greater participation of Pemex in each sector of the energy value chain (upstream, midstream and downstream). Pemex's subsidiary companies are also extinguished, consolidating all activities into a single Pemex. A new preferential regime has been introduced for Pemex with "Oil Contribution of Welfare" as a single tax contribution to which Pemex will be subjected annually in proportion to the value of the hydrocarbons extracted during the fiscal year.

Hydrocarbon sector activities will now be aligned with the National Development Plan and national energy policy; therefore, companies in the private sector must not only comply with the legal requirements to obtain and maintain authorizations or permits but also must follow and comply with government energy policy.

In the upstream sector, there will be new modalities for the oil fields known as "Assignments" (*Asignaciones*), classified as self-developed (to be developed only by Pemex) and as mixed-

development (granted to Pemex to develop together with private companies through a new "mixed contract" model). Also, private companies may participate in the sector through Exploration and Production Contracts granted by SENER, in the event that Pemex is not interested in developing a contractual area.

The new Law of the Hydrocarbons Sector includes new regulated activities, such as the formulation permit (mix of gasoline, diesel and jet fuel with biofuels), and provides for penalty amount increases for breaches in the sector activities.

Energy Sector Regulatory Entities

The new energy reform centralizes all authority in the Ministry of Energy (SENER) for all energy matters. In turn, the National Hydrocarbons Commission (CNH) and the Energy Regulatory Commission (CRE) have been extinguished, and a new National Energy Commission (CNE) has been created, which is controlled by SENER.

SENER will be the highest authority in all energy matters and will act as a regulatory body, concentrating the regulatory authority formerly held by the now extinct regulatory entities in energy matters.

The CNE will assume a large part CNH and CRE authority and mandate, in regulatory and supervisory activities, such as the granting of permits in the power and hydrocarbons sector, issuing tariffs and considerations, as well as specific provisions applicable to each sector.

The purpose of the Reform is ambitious in its attempt to centralize the energy sector again in the State public companies (CFE and Pemex) and in SENER, with the purpose of preserving national energy sovereignty, and at the same time maintaining a competitive and attractive market for foreign investment.

The reform will bring the adjustment and creation of a new regulatory framework (regulations, provisions, manuals, rules, model contracts, etc.), which must contain clear provisions focused on development, to create a functional regulatory body that allows state and private participation in each of the activities of the value chains of the energy sector. The scope as to participation of private companies will depend, to a large extent, on the content and implementation of the new regulatory framework.

For more information, please contact any of the lawyers below.