

Open Seasons for Natural Gas and Fuels in Mexico

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One of the major purposes of the Mexican energy reform is to open to private industry and competition the various hydrocarbons sectors formerly controlled by Pemex, including midstream. To this end, Pemex has been required to transfer its Transportation and Storage System (*Sistema de Transporte y Almacenamiento Nacional Integrado de Gas Natural*) (SISTRANGAS) to the newly created system operator, the National Center for Natural Gas Control (CENAGAS). Pemex's fuel transportation and storage facilities have been subjected to open access obligations, and CENAGAS and Pemex have just launched their respective open seasons.

CENAGAS - SISTRANGAS

SISTRANGAS is the longest natural gas transportation system in Mexico, with a length of 10,068 km. It supplies natural gas to 20 Mexican states and has a total capacity of 6,307 million of cubic feet per day at 27 injection points (physical points where processors, producers, and importers can inject natural gas) and 112 extraction points (specific geographical hubs for invoicing purposes).

In the so-called "Round 0" of SISTRANGAS, Pemex and CFE were given priority to reserve capacity for transformation operations and power generation. On October 27, 2016, CENAGAS launched the first open season to reserve capacity on a firm basis in SISTRANGAS. In this open season, known as "Round 1," off-takers with vested rights and the public in general may participate to reserve capacity in SISTRANGAS from March 1, 2017 to February 28, 2018. Pemex's clients with vested rights will have preference to reserve capacity at the injection points of SISTRANGAS. Remaining capacity may be reserved by other participants. In addition, participants may also reserve capacity at extraction points.

Capacity will be awarded to participants offering the highest economic proposals according to the criteria established by CENAGAS, which are based on additional unitary costs per Giga-joule.

Applications to participate in "Round 1" open season will be received from November 28, 2016, to December 23, 2016. The applications will be evaluated from January 2-25, 2017, and the awarded parties will sign the corresponding services contracts from January 30, 2017 to February 28, 2017.

PEMEX - FUEL FACILITIES

Because of the acceleration of gasoline price liberalization, which is to commence in 2017, the Energy Regulatory Commission approved an open season on November 24, 2016, and related general terms and conditions for fuel storage and pipeline transportation for Pemex's facilities. Storage and pipeline transportation facilities owned by Pemex and located in Northern Mexico will be the first where private parties may reserve capacity. Interested parties must prequalify for this open season.

The first stage will take place on February 1, 2017, which is the deadline to submit proposals to reserve capacity in the storage and transportation facilities of Pemex located in Rosarito,

Ensenada, Mexicali, Nogales, Magdalena, Hermosillo, Guaymas, Cd. Obregón, and Navojoa. The date to award contracts is scheduled for February 15, 2017.

In a second stage, parties may bid to reserve capacity in the storage and transportation facilities of Pemex located at Cd. Juárez, Chihuahua, Parral, Gómez Palacio, Sabinas, Monclova, Saltillo, Nuevo Laredo, Santa Catarina, Cadereyta, Cd. Mante, Reynosa, Cd. Victoria, and Madero. The deadline is April 15, 2017, and the contracts will be awarded on April 30, 2017.

The expected capacity to be awarded by Pemex in this open season is of 267 thousand barrels/day for pipeline transportation and 959 thousand barrels/day for storage.

If you have any questions, please contact one of the lawyers listed below.