Pemex Unveils Business Plan

By Eduardo Corzo | November 9, 2016

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On November 3, the CEO of Petróleos Mexicanos ("Pemex") presented the Pemex Business Plan, which was recently approved by the Board of Directors of Pemex. The Business Plan has a five year horizon and it is prepared by the Pemex CEO and approved, reviewed and amended annually by the Board of Directors of Pemex. This document is important because it is focused on rate of return, considers Pemex is in transition and it is already being implemented. The Business Plan shows the investment opportunities for investors who carry out alliances with Pemex. Also, the Business Plan tries to adjust a cost structure and business strategy to a low price environment and will use all tools in the energy reform to achieve the maximum efficiency of Pemex.

The Business Plan describes the current financial situation of Pemex indicating that Pemex had a budged cut of one hundred thousand million pesos (US$5 Billion) which is about 20 percent of the 2016 Pemex Budget. Investment in deepwater was cut by thirteen thousand million pesos for 2016. Pemex will increase farmouts such as Ayin-Atsil in shallow waters, Cardenas - Mora y Ogarrio in onshore fields which will be subject to bid in Round 2.1 and 2.2 in April 2017. The upgrade of the refineries will be substituted for strategic associations. The Federal Government is providing liquidity to reduce Pemex debt with different vendor and contractors and to fund labor contingencies.

The Business Plan describes the current situation, challenges and opportunities of each of the Pemex Subsidiary Entities and Affiliates which shall align their activities to the Pemex Business Plan.

In April of each year, the CEO of Pemex is required to prepare a report to the Pemex Board of Directors which is then submitted to the Mexican Congress by the Chairman of the Board of Pemex (the Ministry of Energy). Such report will measure the results of Pemex based on the goals and objectives indicated in the Pemex Business Plan (Spanish version).

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

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