

## Sener Reduces Requirements for Fuel Marketers and Distributors

December 20, 2019 Alberto de la Peña

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### Summary of Public Policy and Prior Amendments

The Minimum Fuels Storage Public Policy (the “Public Policy”) was released by Mexico’s Ministry of Energy (“SENER”) on December 12, 2017. The objective is to improve energy security in Mexico and ensure adequate energy supply and competitive prices, through the establishment of mandatory minimum fuel inventories and reporting obligations. Marketers and distribution permit holders are required to maintain these minimum fuel inventories, which may be used only in case of emergency with prior authorization of the Energy Sector Coordination Council (*Consejo de Coordinación del Sector Energético*).

*The Public Policy establishes two obligations that would have gone into effect in January 2020:*

- **Weekly statistics reports.** Weekly reporting is mandatory for storage, marketing, refining, distribution, and retail sale permit holders. These reports must provide information on production, imports, exports, sales, and inventories of gasoline, On-road Diesel (ultra-low and low sulphur), Nonroad Diesel, and Jet Fuel (“Fuels”).<sup>1</sup> The reports must be sent to Mexico’s Energy Regulatory Commission (“CRE”). Refineries, however, must send their reports to SENER.
- **Storing, quantification, and maintenance of a minimum volume of Fuels in Mexican territory.**
  - Distributors and marketers are required to maintain minimum inventory volumes (stated in terms of volume over a minimum number of days). The daily minimum volume depends on the region where the permit holder operates, the amount of Fuels sold in the previous year, and the minimum inventory days required by the Public Policy. The Public Policy provides for a gradual increase in the minimum required inventory days of stored Fuels, depending on the regions where the marketers and distributors operate.
  - Storage permit holders must periodically measure the inventories they hold for the account of others; and distributors must do so for the inventories they hold for their own account. These measurements are to be incorporated in the reporting. Marketers, are not required to measure.

*Alternative mechanism to comply with minimum volume of Fuels (Tickets):*

The Public Policy provides that permit holders may cover deficiencies in their minimum inventory obligations from other marketers, through contractual commitments (each reflected in a document of title called a “ticket”) to deliver inventory to the permit holder or its assignee of the ticket in case of emergency.

*Additional requirements established in 2018:*

On November 29, 2018, SENER established a national minimum inventory obligation (rather than per region) that would have gone into effect on January 1, 2020, as follows:

2020	2022	2022	2025	2025
Minimum days of inventory	Minimum days of inventory	Quarterly average of inventory	Minimum days of inventory	Quarterly average
5	8	9	11	13

Source: SENER

In addition, SENER required that at least 50 percent of the inventories must be in storage terminals that supply the Fuels to tank trucks. The rationale for this measure is to guarantee that service stations that depend on this method of supply may continue to operate in case of an emergency.

### December 2019 Amendment

On December 6, 2019, SENER released a substantial amendment to the Public Policy. We summarize some of the provisions:

**The minimum inventory days requirement was reduced.** The amendment eliminates the gradual increase previously established, and provides a fixed amount of days per substance, as follows:

2020-2025	2020-2025
<b>Minimum Gasoline and Diesel Inventory</b>	<b>Minimum Jet Fuel Inventory</b>
5	1.5 days for Jet Fuel stored in airports and/or airfields and 1.5 days additional as a monthly average,

located in any other terminal of storage  
in the national territory.

Source: SENER

**The new minimum inventory obligation will begin on July 1, 2020.**

- July 1, 2020 to January 1, 2021. The minimum inventory volume to be maintained by the permit holder from and after July 1, 2020 until December 31, 2020, is the amount resulting from the average of sales of Fuels during the semester from November 2019 to May 2020, multiplied by the number of days of obligation corresponding to the year 2020.
- As of January 1, 2021, permit holders must maintain a minimum inventory volume based upon its average sales volume during a consecutive eleven-month calculation period ending in November of the preceding year. This average is then multiplied by the number of days of obligation corresponding to the year in question.

**The Public Policy no longer applies to Nonroad Diesel.** Consequently, permit holders dealing with Nonroad Diesel are not subject to a minimum volume nor to the reporting obligations provided in the Public Policy.

**Procedure.** The amendment includes a more detailed procedure related to the process of monitoring and supervision.

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<sup>1</sup> The classification of Fuels is subject to the specifications of the technical standard NOM-016-SECRE-2016.