

# Updates and Highlights in the Mexican Energy Sector, May-June 2017

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**PRACTICES** Mexico, Energy, Power and Natural Resources, Mexico Energy Reform, Oil and Gas

As part of the implementation of the Mexican energy reform of 2013, several new regulations and administrative guidelines affecting the hydrocarbons and power industries were issued during May and June 2017. These are of particular importance to oil and gas producers, midstream companies, power generators, traders and others looking to invest or expand operations in Mexico’s dynamic energy sector.

## I. Hydrocarbons

May 2, 2017. Bidding Process of CNH-A3-CÁRDENAS MORA/2017 and CNH-A4-OGARRIO/2017. The National Hydrocarbons Commission (“CNH”) approved the farmouts for the Cardenas Mora and Ogarrio onshore blocks where Pemex will be looking for a partner to develop exploration and production activities.

May 9, 2017. CRE’s Internal Regulations. The Energy Regulatory Commission (“CRE”) published its new Internal Regulations, containing its basic structure and authorities for each division.

June 12, 2017. Commercialization of hydrocarbons obtained in E&P activities. The CRE issued an order containing the obligations of E&P contractors holding a commercialization permit. Under this order, the CRE established that the contractors of Production Sharing Contracts or License Contracts shall obtain a commercialization permit in order to sell hydrocarbons in Mexico. As permit holders, they are obliged to (a) provide a report on the volumes sold on a semiannual basis, (b) pay the corresponding governmental fees, and (c) comply with the guidelines governing the business groups or consortia published by the CRE.

June 16, 2017. ASEA Guidelines for retail of natural gas and LPG, distribution and retail of petroleum products and LPG. Under the ASEA Guidelines, parties undertaking such activities must have an industrial, security and environmental system administration to prevent and control the activities carried out at their facilities.

June 26, 2017. Amendment to NOM-016-CRE-2016. The most relevant modifications to NOM-016-CRE-2016 are the following: (a) the addition of 10 percent volume ethanol to gasoline is now allowed in Mexico, except in Guadalajara, Monterrey and the Valley of Mexico, and (ii) additives may be added to the gasoline by any permit holders at their facilities provided that they comply with the specifications contained in NOM-016-CRE-2016.

June 28, 2017. The CNH published the results of the CNH-R02-L01/2016 Bidding Process, aka Round 2.1. The awarded parties are the following:

AREA	WINNER	SECOND PLACE
1	Contractual area was declared deserted	Contractual area was declared deserted

2	DEA Deutsche Erdoel AG in consortium with Pemex	ENI México in consortium with Lukoil International
3	Contractual area was declared deserted	Contractual area was declared deserted
4	Contractual area was declared deserted	Contractual area was declared deserted
5	Contractual area was declared deserted	Contractual area was declared deserted
6	PC Carigali in consortium with Ecopetrol Global	Murphy Sur in consortium with Talos Energy and Ophir México
7	ENI México in consortium with Capricorn Energy and Citla Energy	Repsol Exploración in consortium with Premier Oil and Sierra Perote
8	Pemex in consortium with Ecopetrol	There was no second place
9	Capricorn Energy in consortium with Citla Energy E&P	ENI México
10	ENI México	DEA Deutsche in consortium with Diavaz G and P
11	Repsol Exploración in consortium with Sierra Perote	China Offshore Oil Corporation E&P México
12	Lukoil International Upstream Holding	There was no second place
13	Contractual area was declared deserted	Contractual area was declared deserted
14	ENI México in consortium with Citla Energy	There was no second place
15	Total E&P in consortium with Shell	There was no second place

## II. Power

May 4, 2017. Regulations to the Energy Transition Law. The Regulations set forth the mechanisms and procedures to enforce the Energy Transition Law in the use of clean energies.

June 12, 2017. Mid-Term Auction Guidelines. The Guidelines establish the procedures, terms and conditions to carry out Mid-Term Auctions by the National Energy Control Center (“CENACE”). The mid-term auctions will be called by CENACE on an annual basis for the purchase and sale of energy and capacity. The contracts awarded in the mid-term auctions will be awarded for a period of three years.

June 23, 2017. Clearinghouse Operative Guidelines. The Guidelines set forth the procedures to manage the contracts awarded by CENACE in the Long-Term Auctions. The purpose of the clearinghouse is to reduce the risk of default by the parties awarded with a contract in the auction. For this purpose, the clearinghouse will act as intermediary in charge of invoicing, making timely payments, managing performance guarantees and their execution, if required.

June 30, 2017. Draft Guidelines for the Wholesale Power Market. COFEMER published six new draft Guidelines which are: Imports and Exports Guidelines, Guidelines for Opportunity Costs, Guidelines for Transmission and Distribution Service Coverage Agreements, Surveillance Market Guidelines, Interconnection and Connection Guidelines and Outage Scheduling Guidelines.