Larry Pascal and Carlos Alva in Energy Advisor: Inter-American Dialogue

By Larry B. Pascal, Carlos Alva | June 13, 2024

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Haynes Boone attorneys Larry Pascal and Carlos Alva were featured in *Energy Advisor's* Inter-American Dialogue. Read an excerpt of their conversation below:

Question: When she takes office as Mexico's president on Oct. 1, Claudia Sheinbaum will be faced with managing Mexican state oil company Pemex's debt, which surged to $8.2 billion in March, a 44 percent increase from last October. Sheinbaum has defended outgoing President Andrés Manuel López Obrador's controversial energy policy, which has included efforts to reverse reforms that previously liberalized the country's energy sector to attract private investors. What are the main actions Scheinbaum will take regarding Pemex? To what degree is Sheinbaum likely to diverge from López Obrador's policies related to the oil sector and Pemex? What actions should she take to strengthen Pemex and also to ensure the country's energy stability?

Answer: As to Pemex, arguably the first major action to be taken by President Elect Claudia Sheinbaum may be to restructure Pemex's growing debt and improve its credit rating, which rating has both a financial and symbolic importance for the company and the country. Although there has been no announced plan for a Pemex debt restructuring, such restructuring could consist of a new bond offering, added financial support from the federal government, and other measures.

As for the next administration's energy policy, President Elect Sheinbaum, a recognized climate scientist, has recently spoken as to the importance to promote both "energy sovereignty" and renewable energies and scientific and technological development, to avoid increases in fuel and electricity prices, and to respect and facilitate national and foreign private investment in the sector, provided that such investment promotes social welfare and regional development. Although her stated energy objectives include renewable energies and more openness to foreign investment, it is unclear at this early stage if she will maintain the current energy sovereignty policy of her predecessor and political mentor President Lopez Obrador, which policy has been criticized by some foreign analysts as being too nationalistic and self-reliant.

To strengthen Pemex and ensure Mexico´s energy stability, Claudia Sheinbaum's administration should: (i) seek to restructure Pemex's debt, (ii) open up the energy sector by attracting private investors in oil and gas and renewable energies sectors, including through the upstream and power bidding rounds, and (iii) resolve current USMCA claims in the energy sector.

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