



The Mexican Energy Reform

Opportunities in the Midstream Sector

January 14, 2015



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Context

- Why was an energy reform needed?
 - PEMEX's low operating capacity and lack of technology to conduct exploration and production of hydrocarbons in non-conventional fields.
 - The need to increase capacity to refine, transport, store and distribute hydrocarbons, and improve operational efficiency.
 - The commitment of the Federal Government to reduce domestic energy prices and production costs.
- Articles 25, 27 and 28 of the Mexican Constitution were amended and six decrees were issued containing the corresponding secondary legislation.





Where do We Stand?

Existing Infrastructure

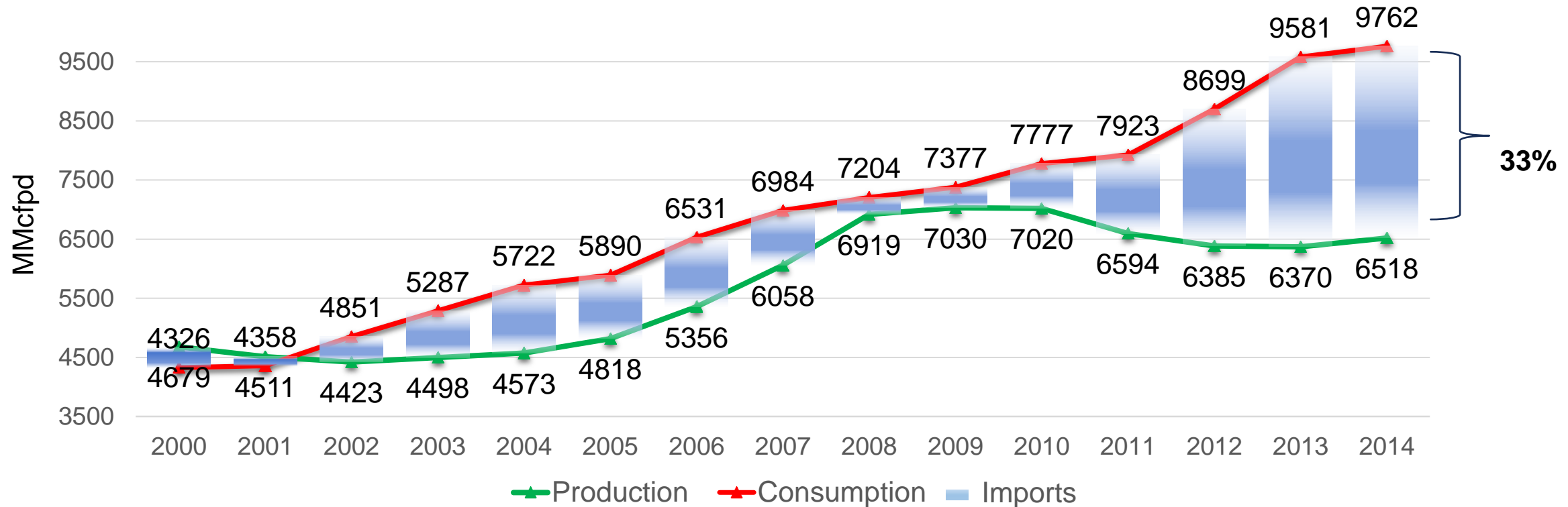
Existing Pipeline Infrastructure



Source: PEMEX

Natural Gas

Production, demand and imports of natural gas 2000-2014



Source: SENER

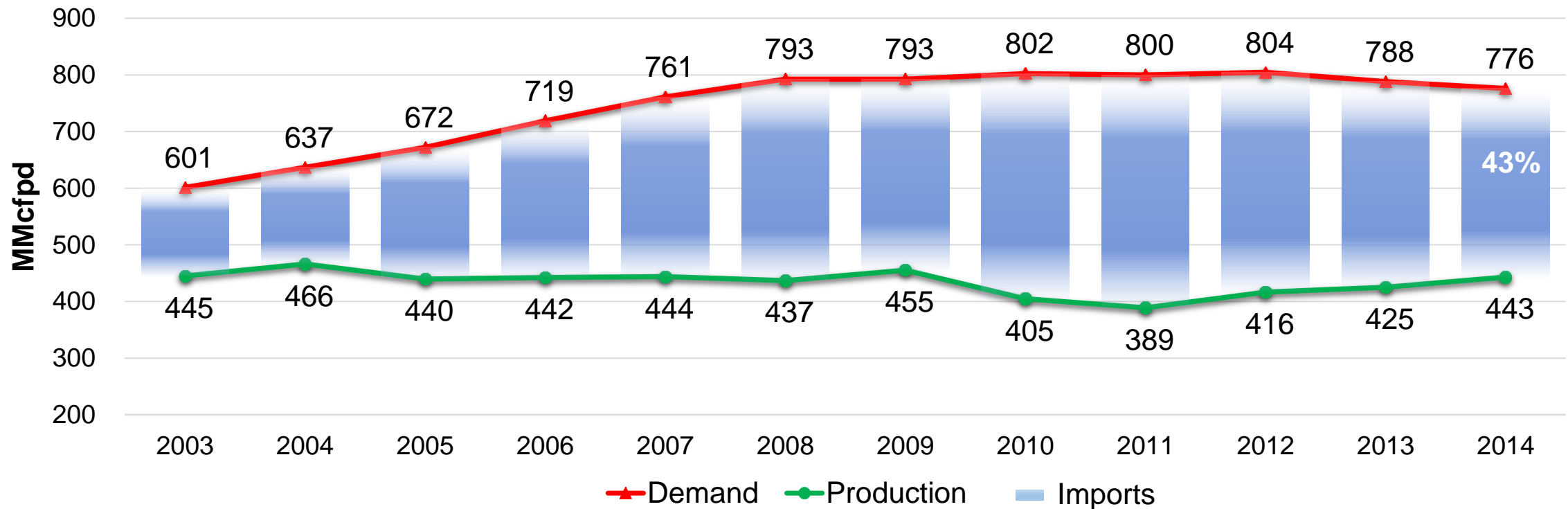
Existing Pipelines for Oil Products



Source: PEMEX

Gasoline

Production, demand and imports of gasoline 2003-2013



Note: Imports include Methyl tert-butyl ether component
Source: SENER



What was done?

Energy Reform

Energy Reform

- In order to develop the much needed infrastructure, the Energy Reform approved by Congress modified the industrial organization framework of the natural gas and oil product transportation industry.
- In the case of natural gas, the industry was opened to the private sector in 1995, but the recent reform clarified different aspects and created new institutions to make sure that open access prevails in the system.
- Before the Reform, in the case of oil products, PEMEX maintained the monopoly in pipeline transportation, but allowed the private sector to participate in the transportation by tanker cars.

Natural Gas

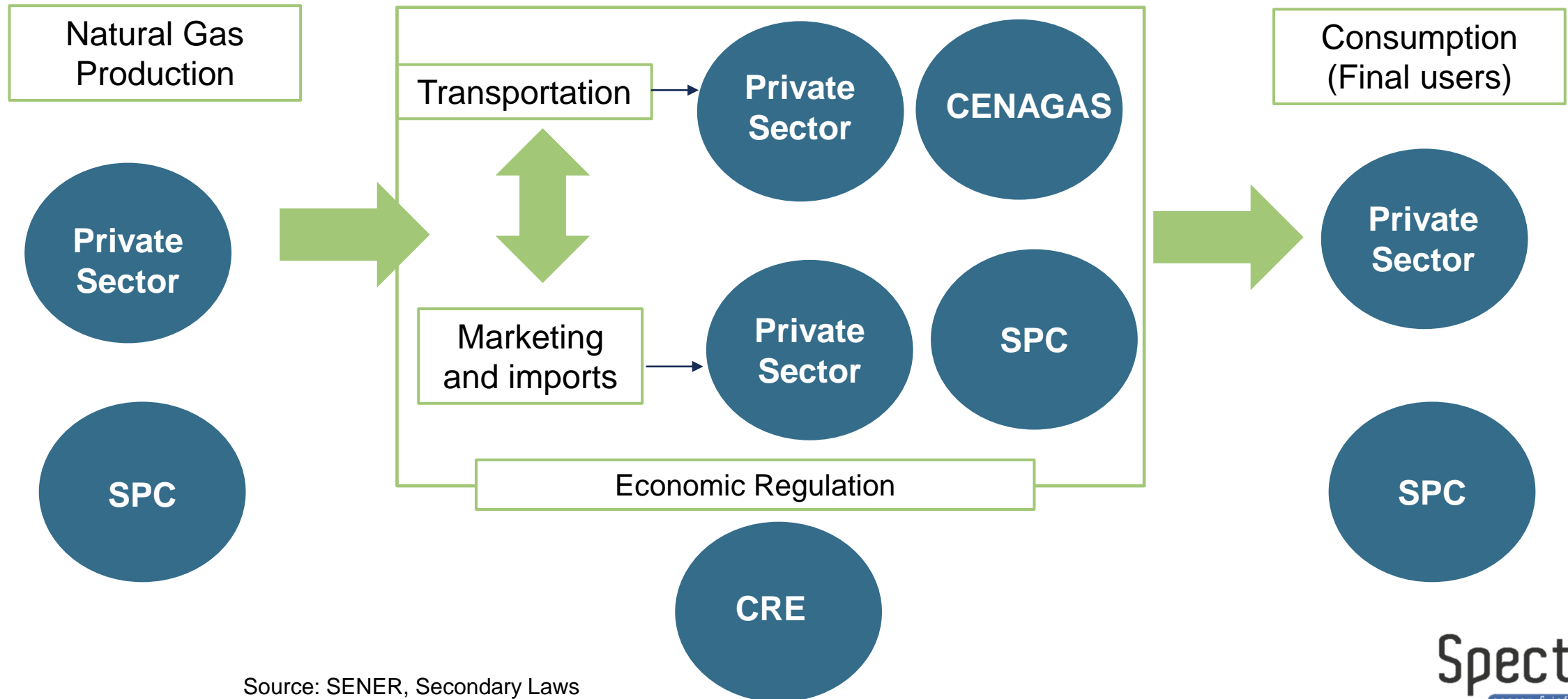
- The separation between gas transportation and marketing is established.
- The Centro Nacional de Gas (CENAGAS) is created as an independent operator of the transportation system.
- Open access to the network is provided to anyone.
- SENER approves the planning of the transportation system.
- New attributions are granted to SENER and CRE. Also, direct participation from the Antitrust Commission (COFECCE) is considered.

CENAGAS

Performs the following functions:

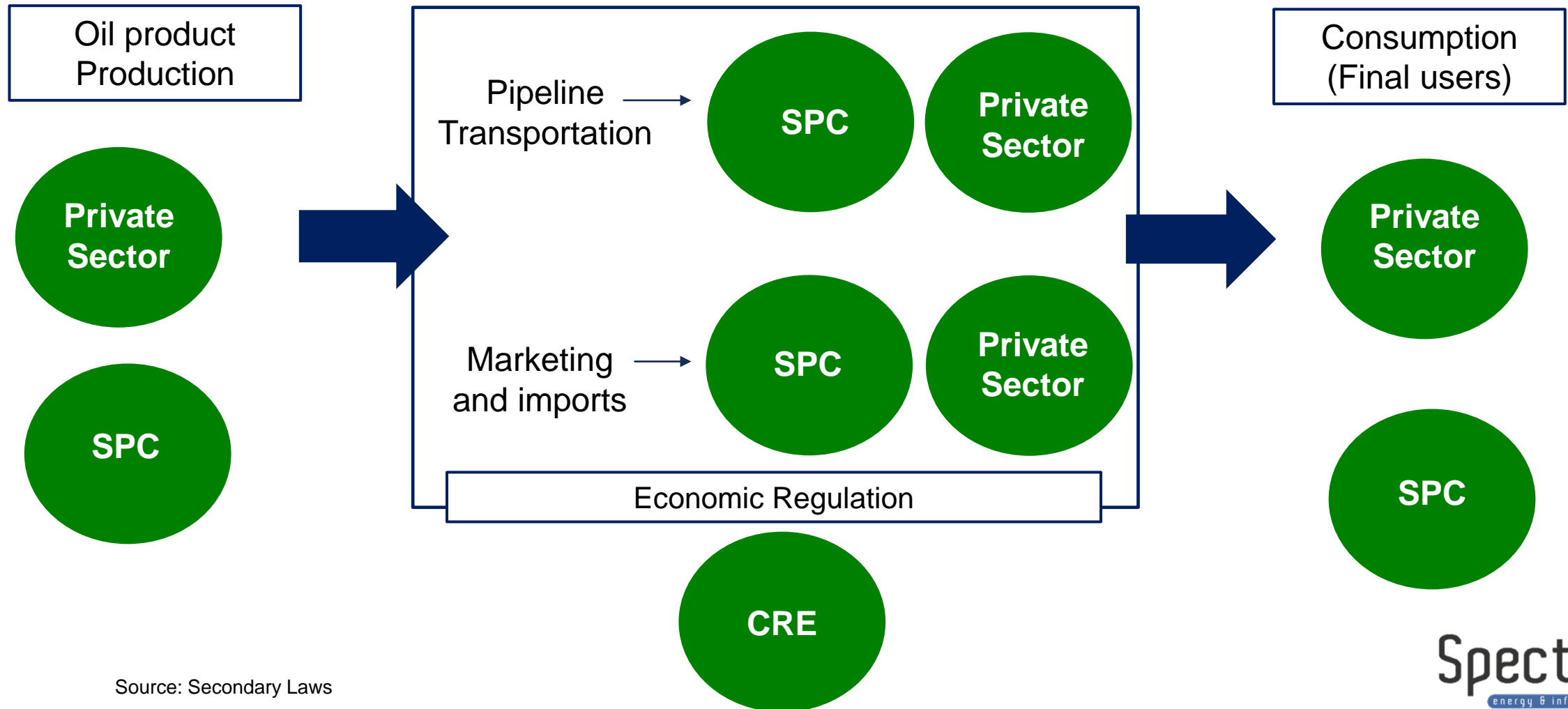
- Administers the infrastructure and contracts that Pemex transfers.
- Makes sure that open access is granted by private and public carriers in daily, mid and long-term operations.
- Elaborates a five-year expansion plan of the Natural Gas Transport and Storage Integrated System, identifying strategic projects.
- Conducts the tender processes of strategic transport infrastructure projects.

New Model of the Natural Gas Industry



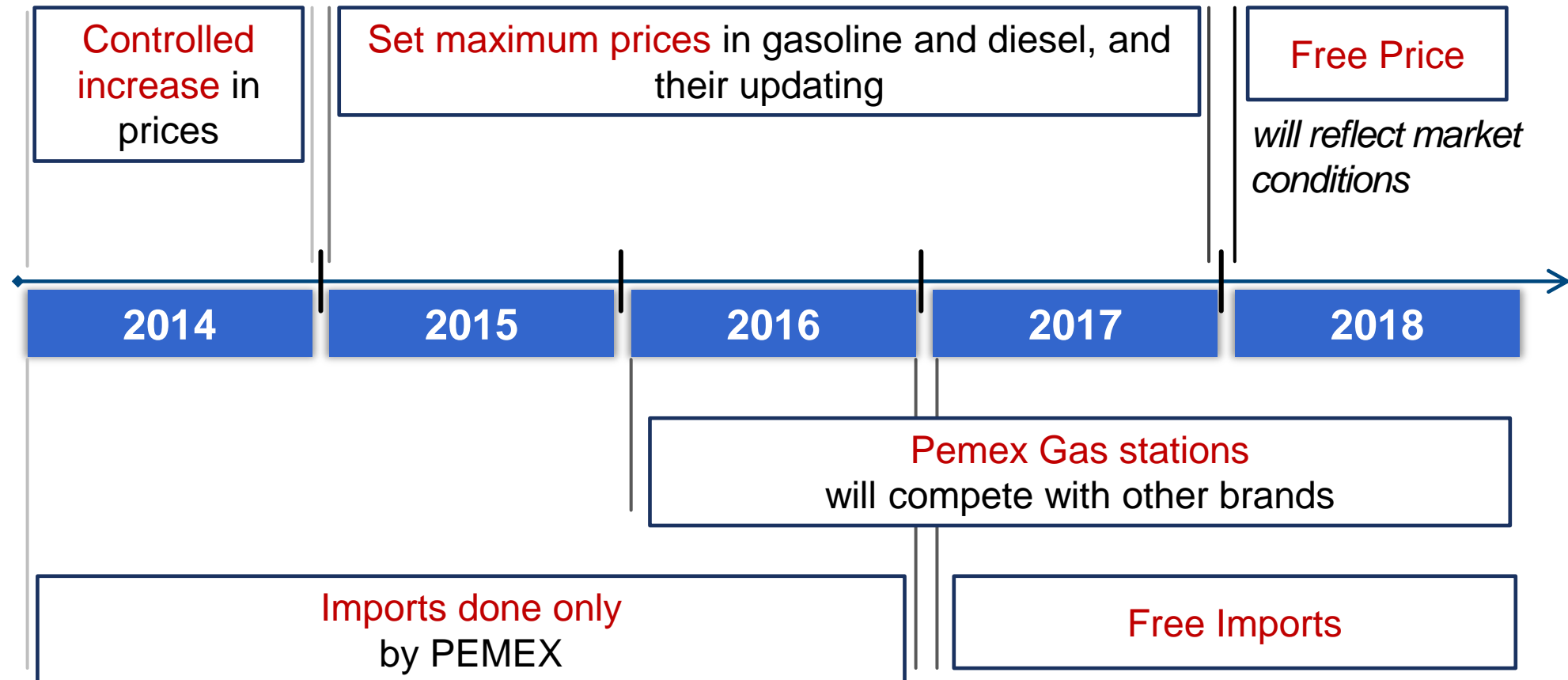
Source: SENER, Secondary Laws

New Model of the Oil Product Industry



Source: Secondary Laws

Gradual Opening of Gasoline and Diesel



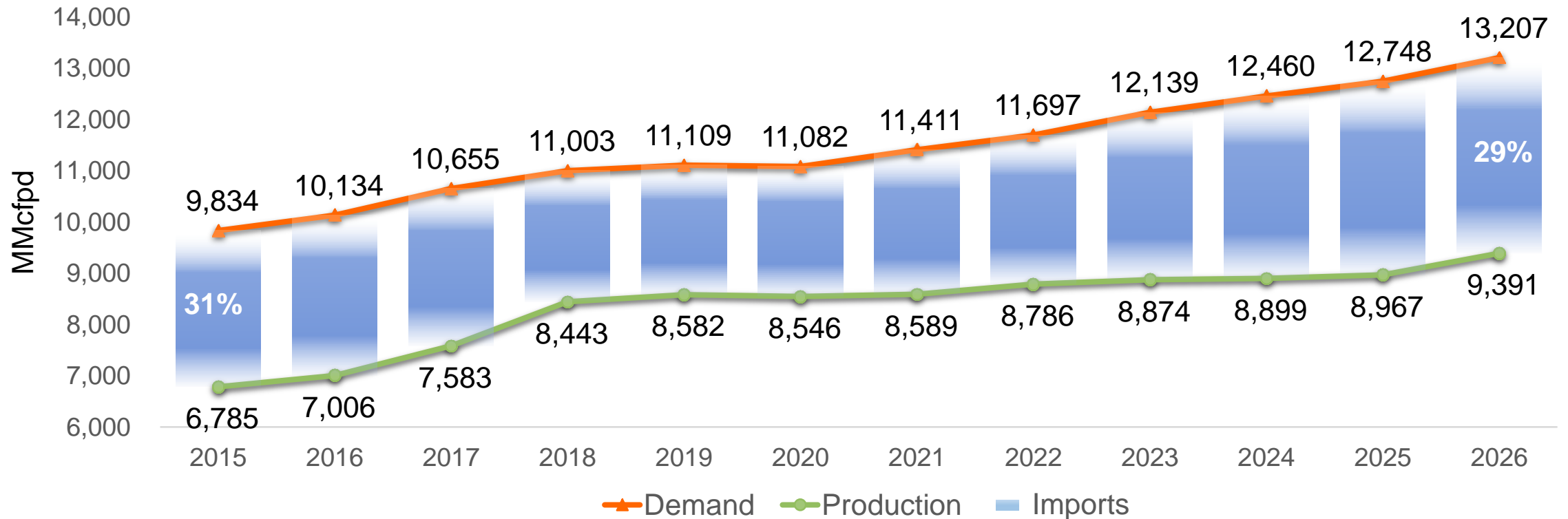


What can we expect?

Outlook

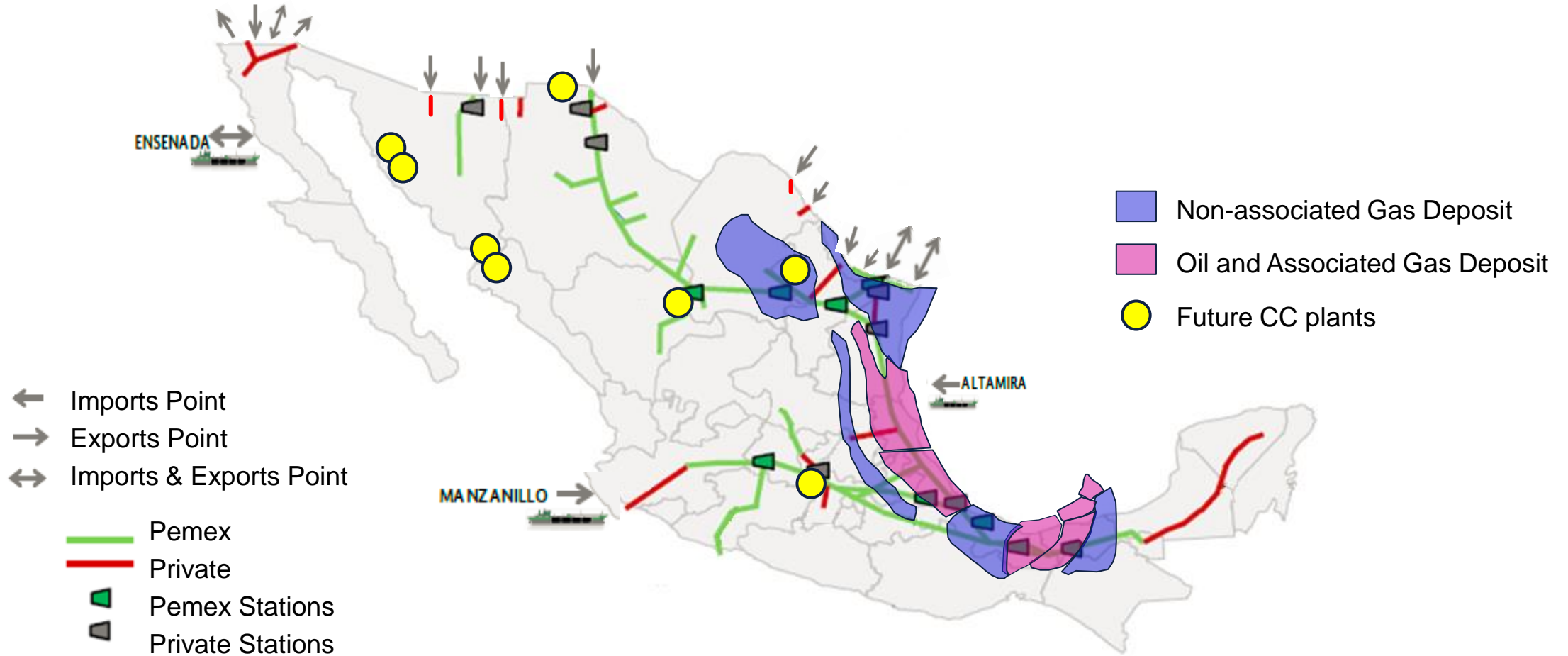
Natural Gas Outlook

Production, demand and imports of natural gas 2015-2026



Source: SENER

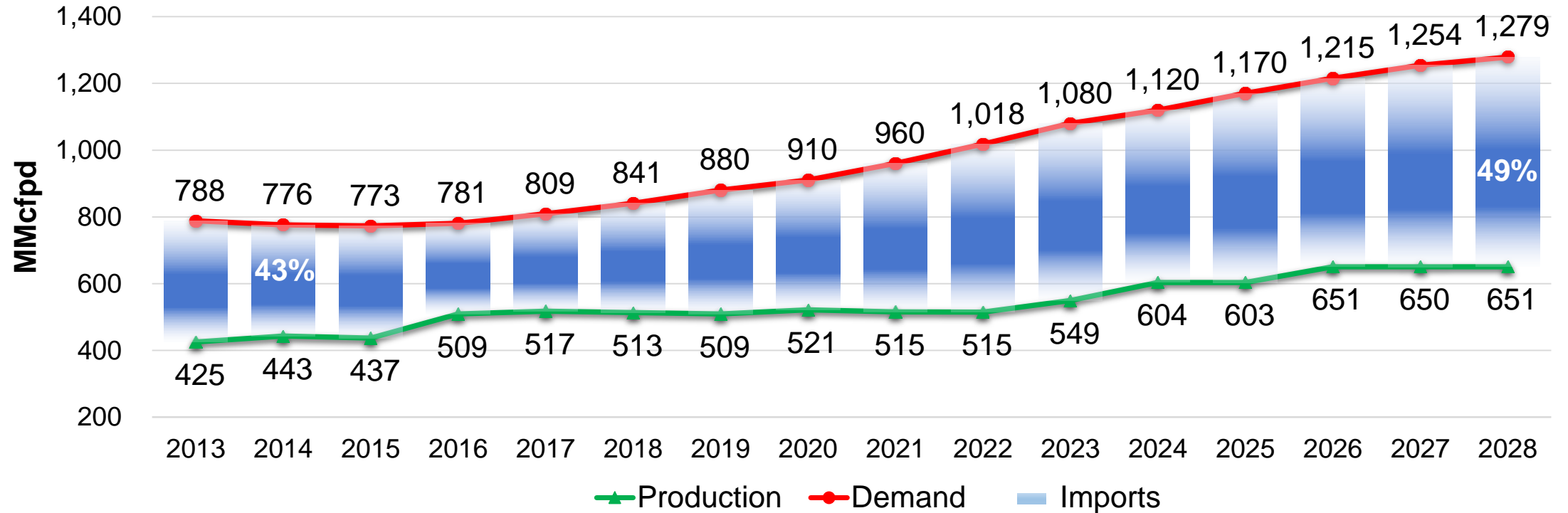
New Pipeline Capacity Required



Source: SENER

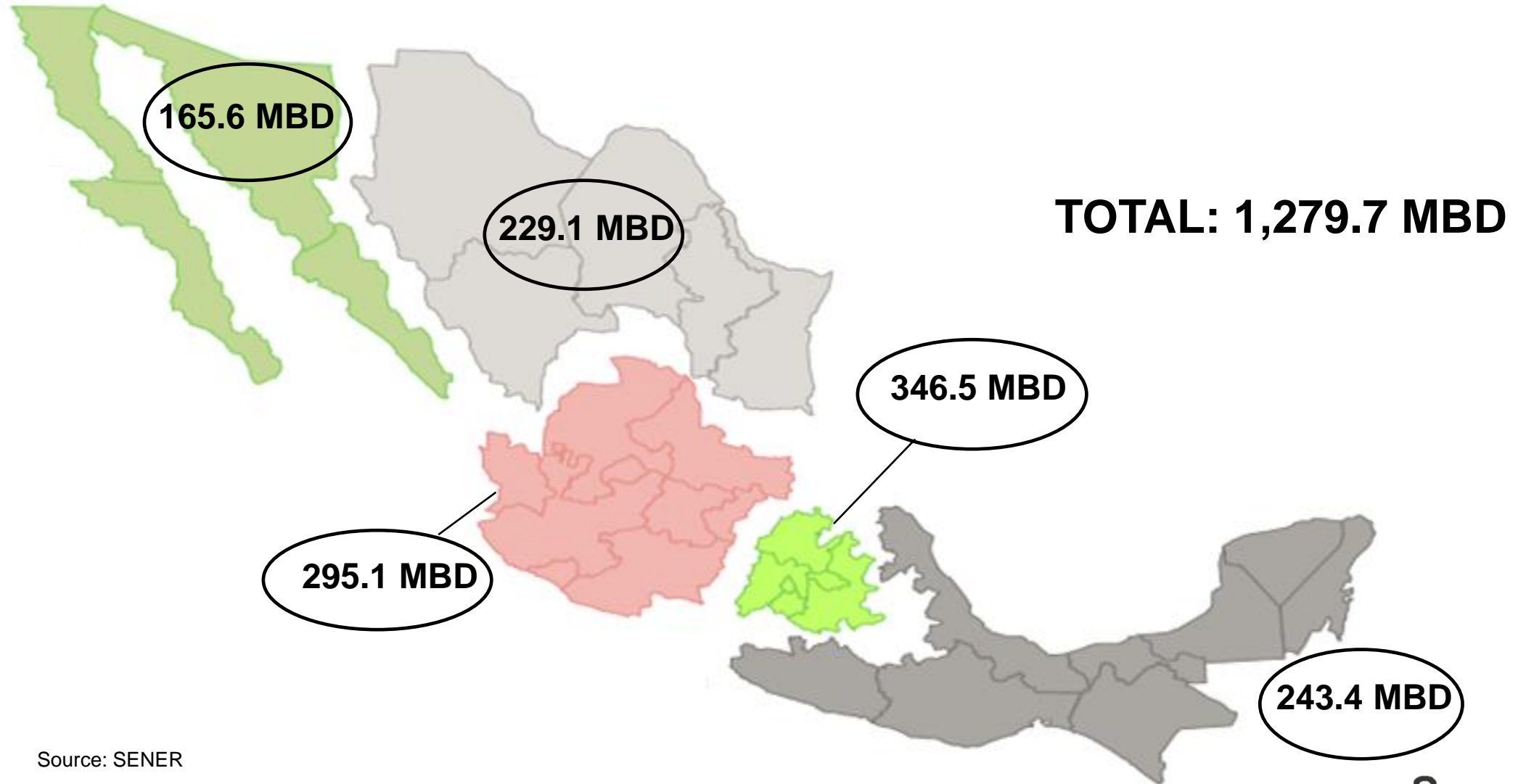
Gasoline Outlook

Production, demand and imports of gasoline 2013-2028



Source: SENER

Expected Gasoline Demand by region in 2030



Source: SENER

Conclusions

- The existing infrastructure is inadequate to meet national requirements in terms of transportation and storage of oil products and natural gas.
- In the next 15 years, the demand for oil products and natural gas will increase. This situation will aggravate if required investments in these sectors do not take place.
- The Energy Reform will broaden investment opportunities to help reduce the current gap in infrastructure and anticipate for future needs.