

October 28, 2019

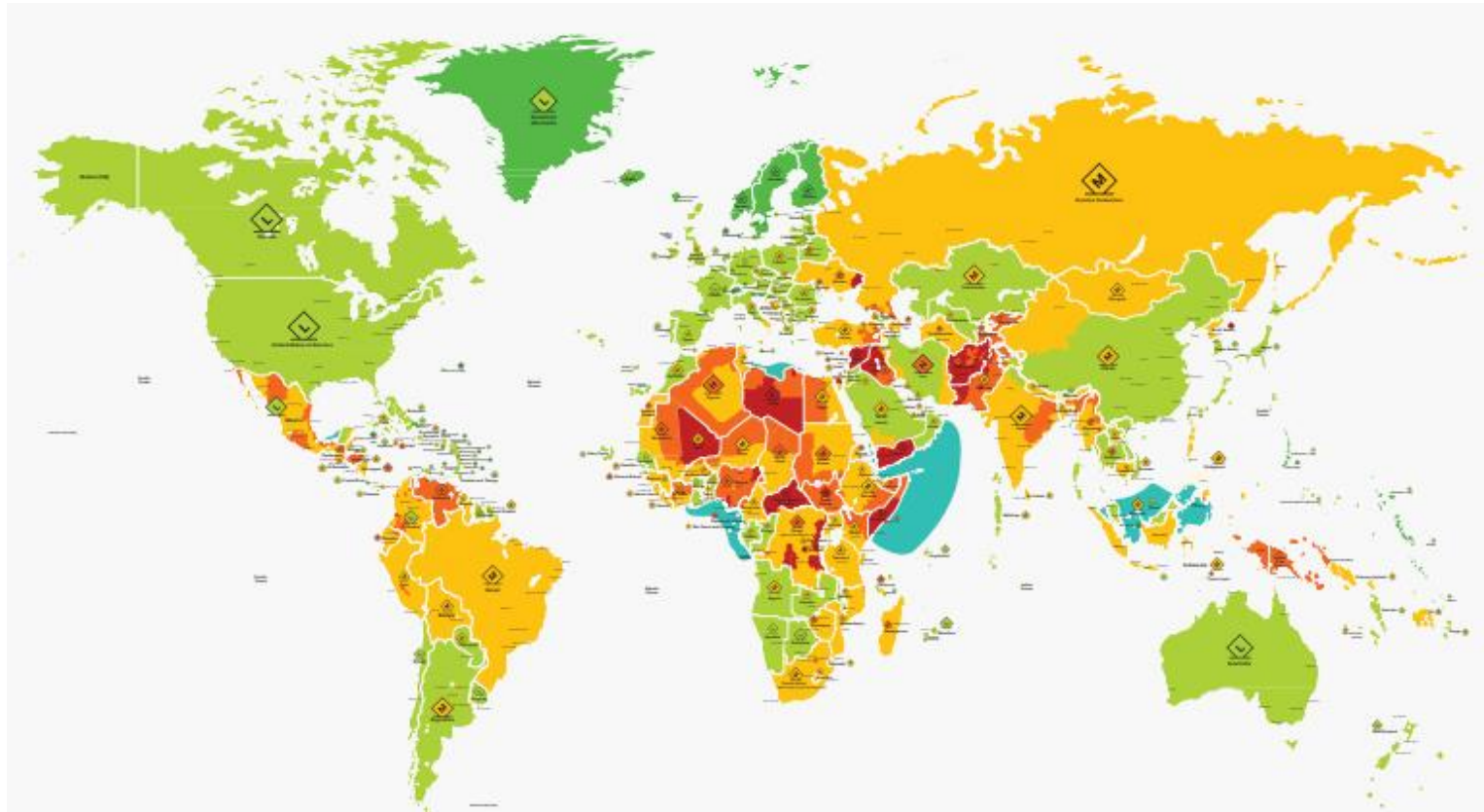
# Non-technical risks for oil & gas operations in Mexico

Finding Petroleum



## ► About Control Risks

Control Risks is a specialist global risk consultancy that helps create secure, compliant and resilient organisations. We ensure that our clients are prepared to resolve critical issues and crises, realise opportunities and maximise growth in unfamiliar and complex regions.



2500

people work from

39

offices with experience in

178

countries across

18

sectors worldwide

## ► 2013 Energy Reform



107  
contracts

USD 150  
Billion

Estimated investments stemming from  
the contracts - 2025

73  
companies

20  
countries



## ► New Administration



- 2018 landside victory for populist leftist candidate AMLO and MORENA – the new political giant
- First leftist president in three decades
- MORENA holds the majority in both houses of Congress as well as a majority in state Congresses
- Main government priorities:
  - ◆ Combat corruption
  - ◆ Landmark infrastructure projects
  - ◆ Increase the role of the state in strategic sectors, primarily in energy
    - Vehement Energy Reform opponent
    - Two weeks in office – postponement of new oil auctions

## ► Implications for the implementation of the Energy Reform

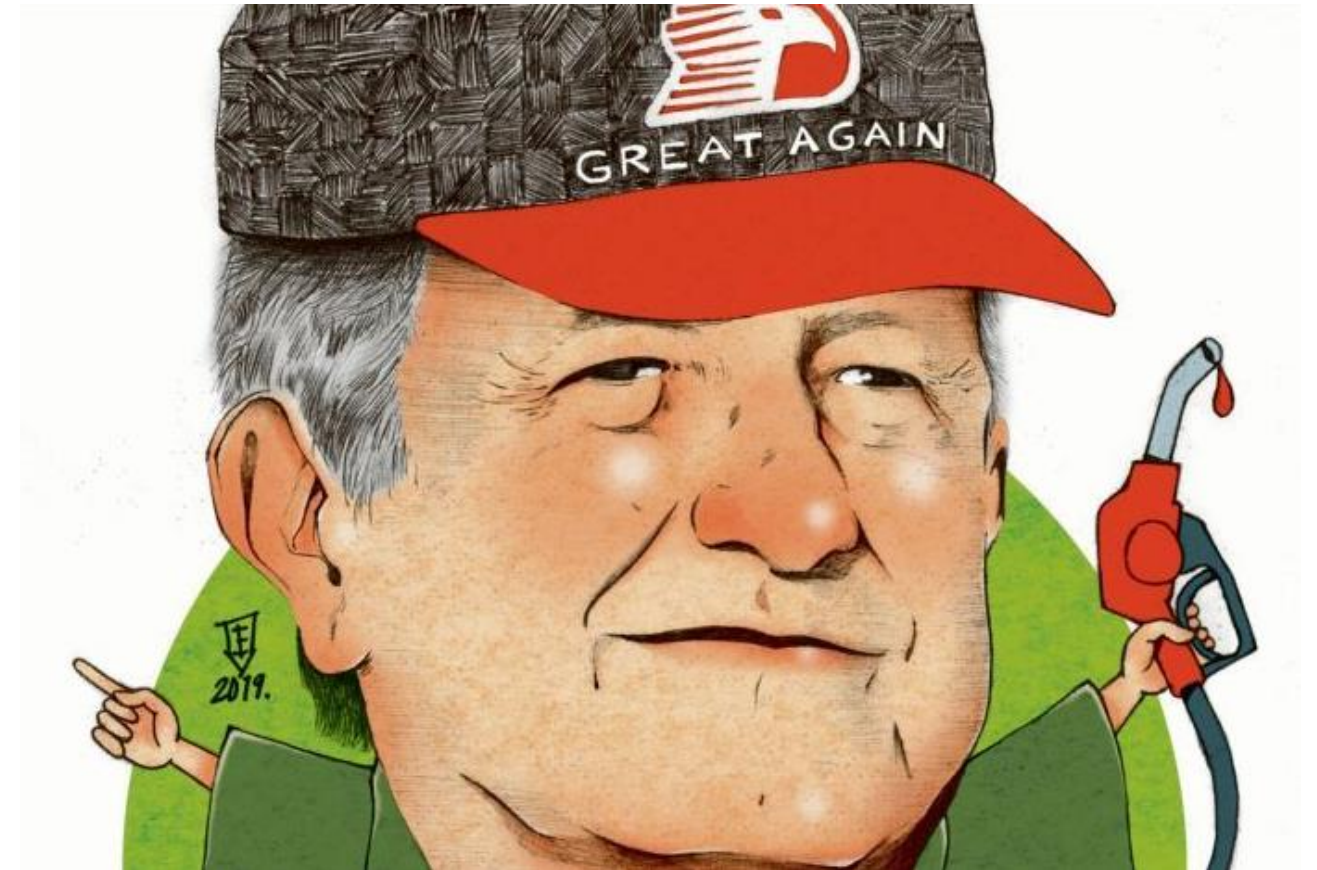
- No Energy Reform cancellation
- Energy statist policies and economic pragmatism
- Indefinite postponement of oil and gas auctions
- Scrutiny of contracts – three-year period
- Production 2.4m barrels per day (bpd) in 2019 and 2020 (up from 1.9m bpd) in 2018
- Minimal risk of expropriation or nationalization
- Autonomy and influence of the upstream and downstream regulators has been decimated (CNH, CRE)
- Overhaul the oil and gas industry and achieve energy self-sufficiency, reforming and rehabilitating Pemex



Source: S&A

## ► Make PEMEX great again

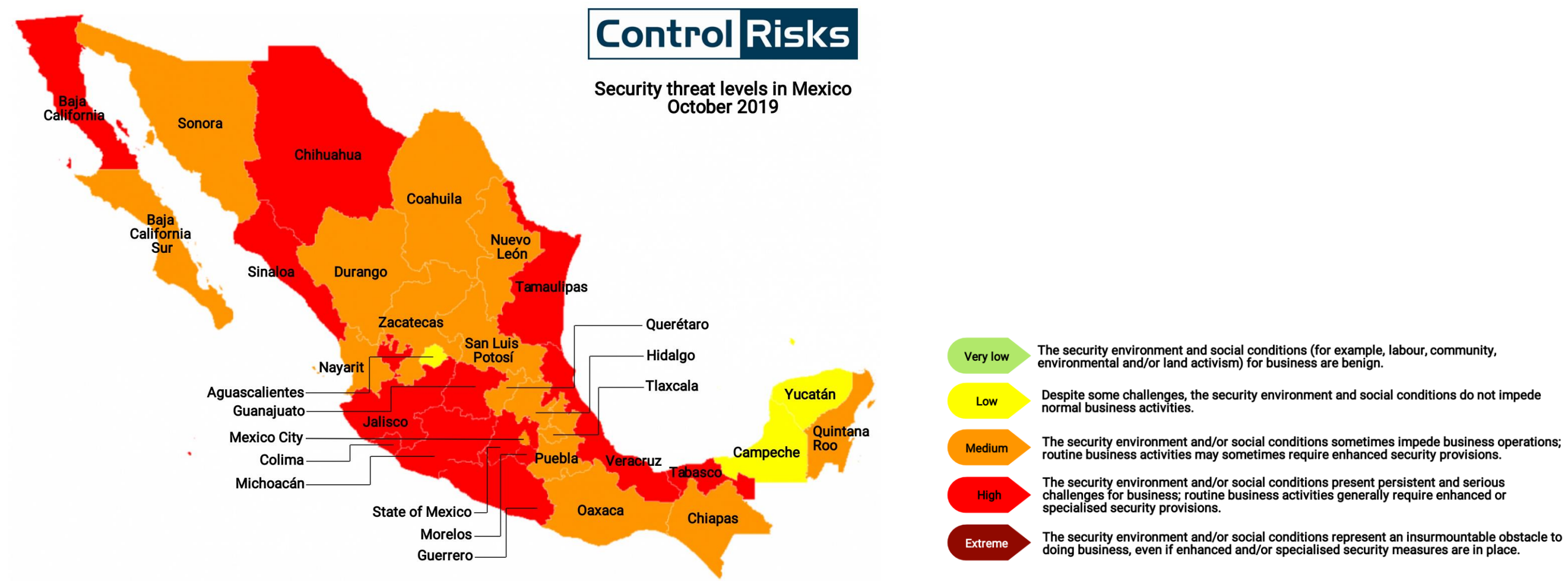
- Reforming and rehabilitating Pemex
  - ◆ Most indebted oil company in the world
  - ◆ In 2018, refining 257,000bpd – lowest in three decades
  - ◆ Fuel imports 594,300bpd – highest on record
- Increasing refining capacity
  - ◆ USD 2.6bn to upgrade Pemex's six refineries
  - ◆ USD 8bn Dos Bocas refinery
- Curbing crude oil exports
  - ◆ 15% of the federal government budget
  - ◆ Currently Pemex's principal source of foreign currency
- Combatting endemic corruption within PEMEX
- Contract review
- New contracts



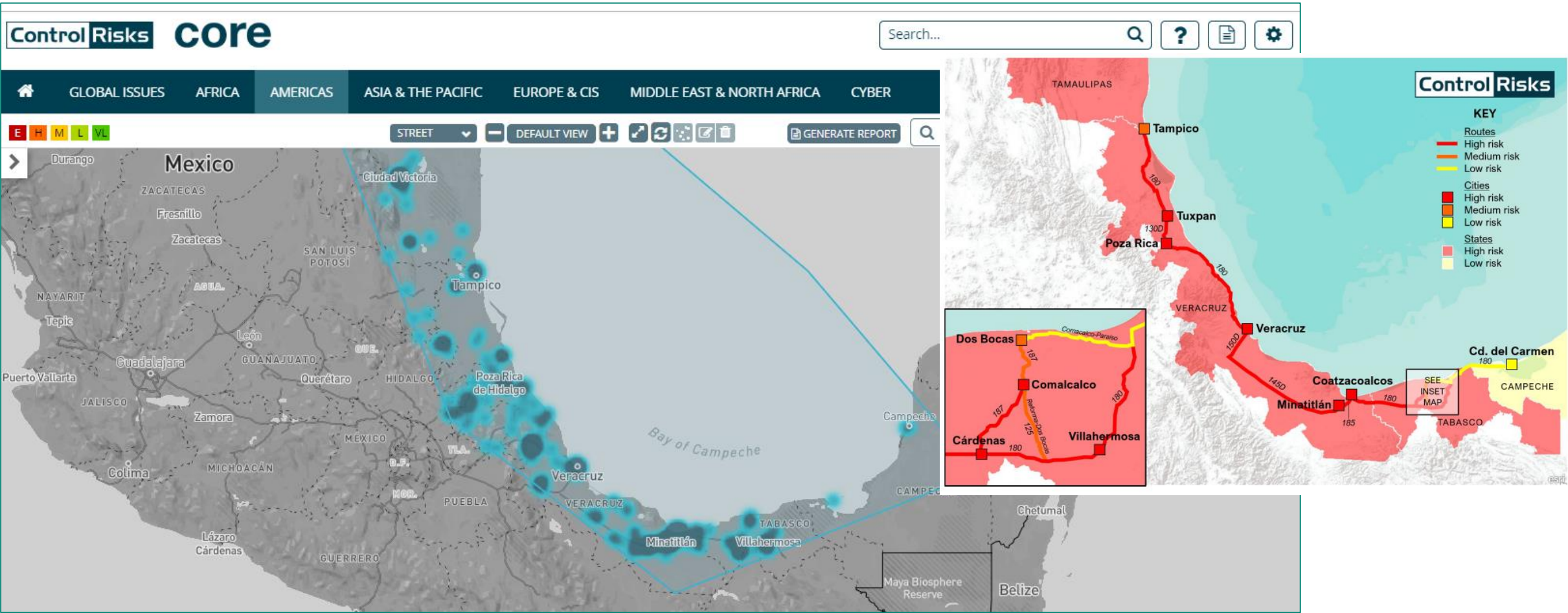
Source: El Informador



► Security environment



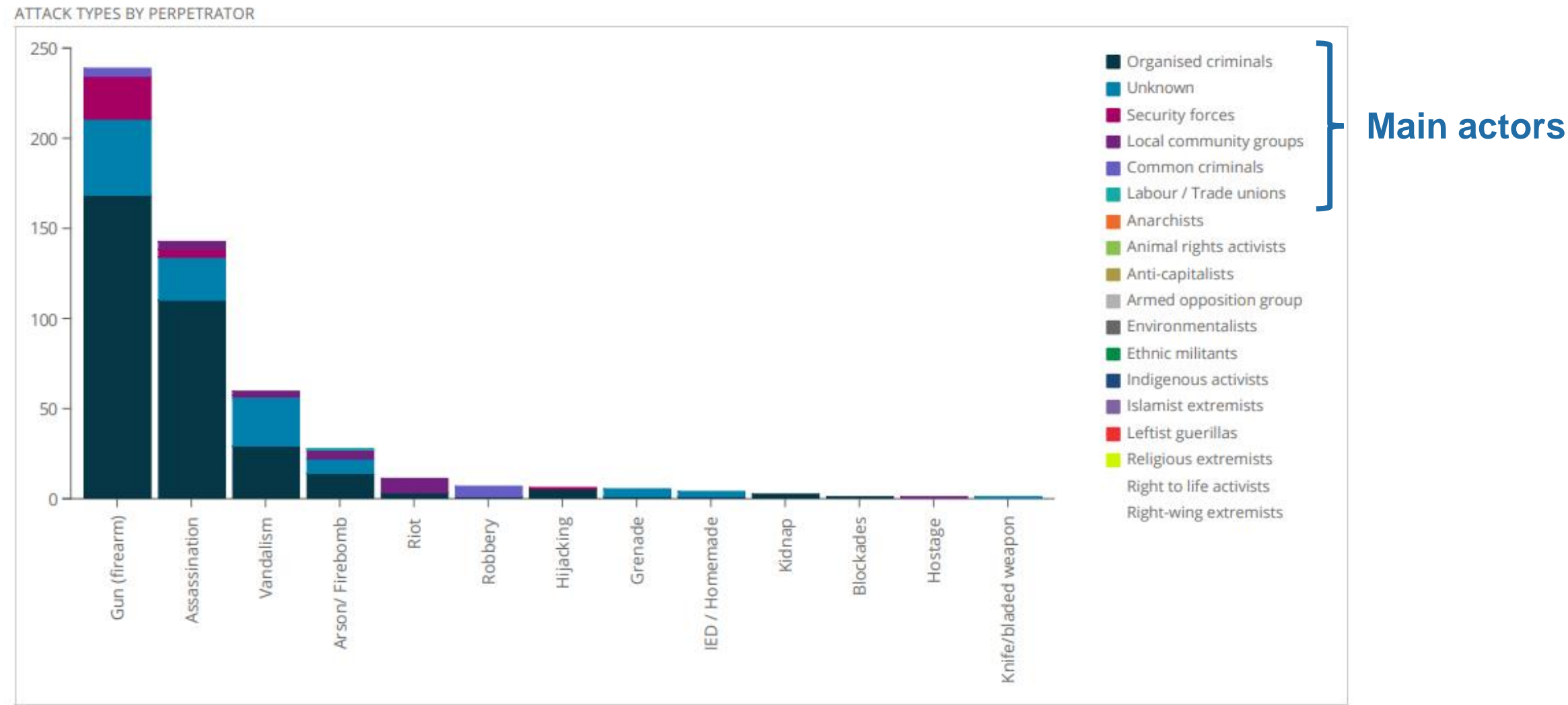
► Security incidents distribution



Polygonal analysis: September 2017- September 2019

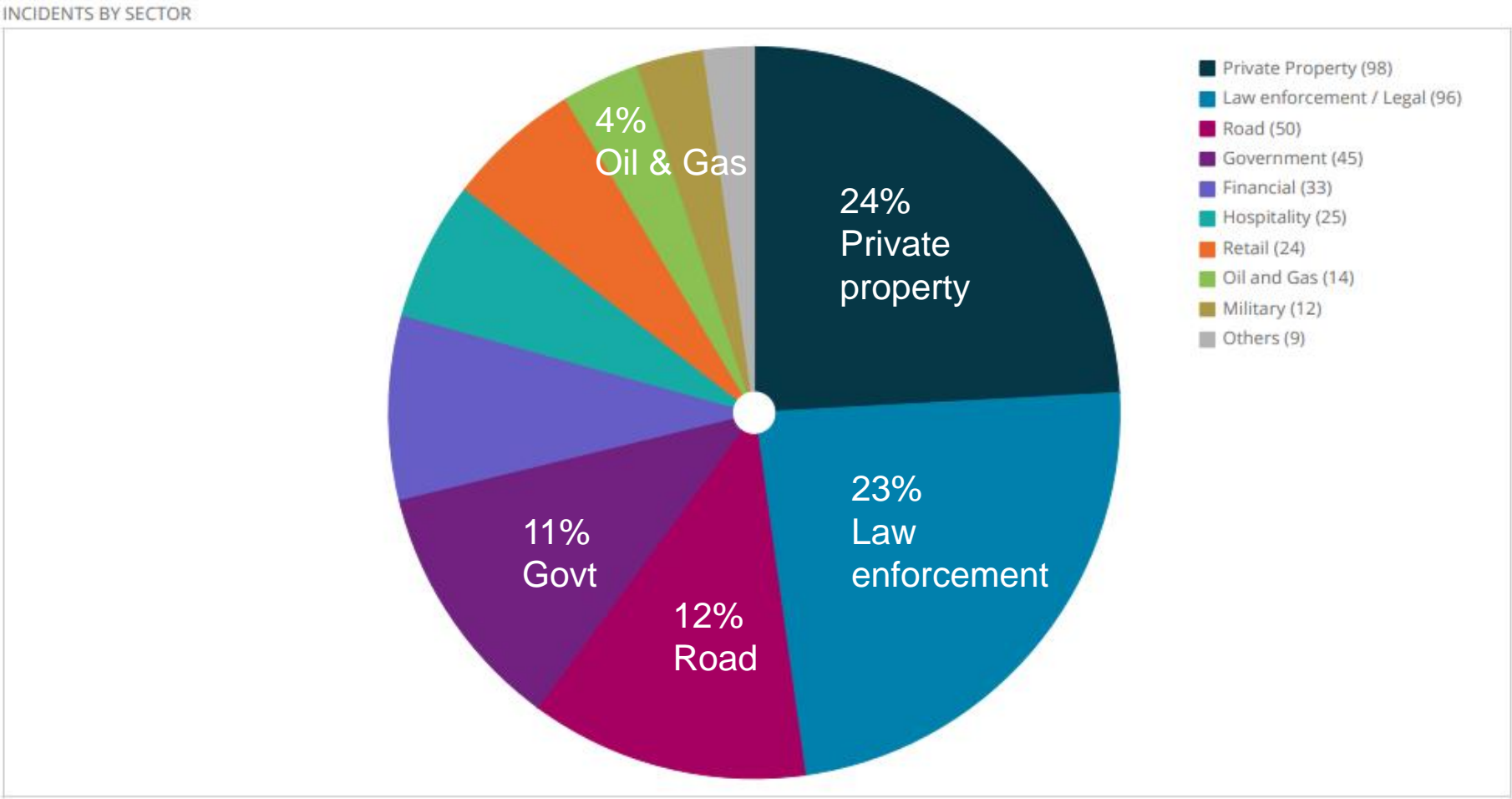


► Attack types by perpetrator



Polygonal analysis: September 2017- September 2019

► Incidents by sector



Polygonal analysis: September 2017- September 2019

## ► Non-technical risks

### ► Organised vs common crime



### ► Social activism



### ► Illegal pipeline tapping “huachicoleros”



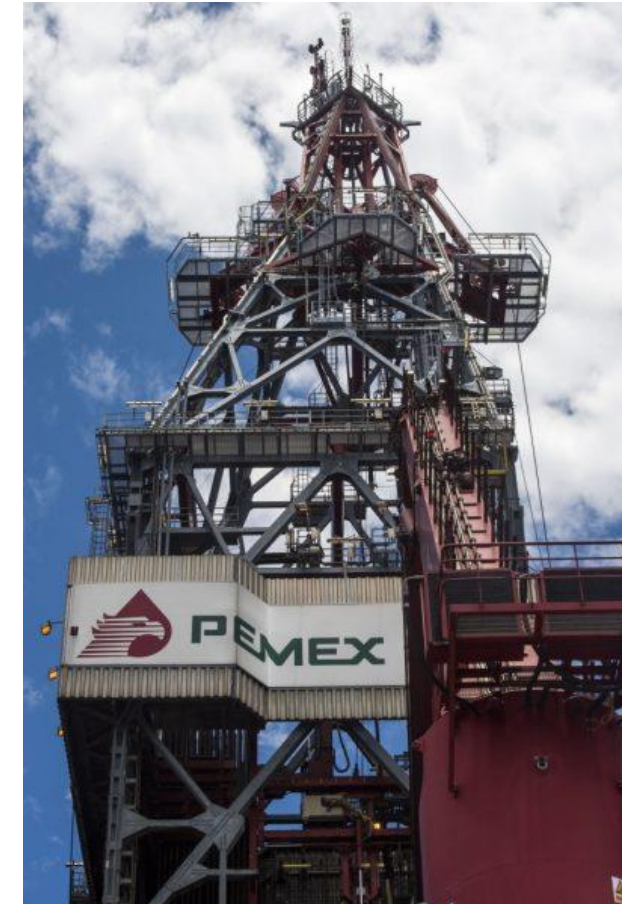
### ► Environmental damage





## ► Conclusions

- AMLO's administration will continue to implement statist policies while remaining economically pragmatic
- Pemex – credible risk of payment delays, contract reviews and players being side-lined
- Security planning and collaboration between companies and contractors is crucial for operating in the Gulf Coast of Mexico
- Implementing a comprehensive social engagement plan will significantly reduce blockages and will prevent oil spills



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