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Pemex Crude-oil Exports Continue At Record Pace, But Imports Of Gasoline And Other Processed Products Also High

The state-run oil company PEMEX continues to rake in high profits thanks to the strong global oil market, but exports fell off in September because US refineries were incapacitated as a result of Hurricane Katrina. In a report released in late October, PEMEX forecast total revenues from oil and gas exports this year at a record US$80 billion because of a combination of high export prices and increased production. Oil-export revenues for January-September surpassed US$20.4 billion, US$5.2 billion higher than during the same nine-month period in 2004. PEMEX said exports of crude oil averaged 1.793 million barrels per day in the first nine months of this year, but the volume for September alone dropped to 1.677 million bpd because shipments to Louisiana were suspended in the aftermath of Katrina. The US accounts for 90% of Mexico's crude-oil exports. PEMEX is already planning to reduce production and exports during the fourth quarter of the year since several contracts were cancelled in the aftermath of Katrina and Hurricanes Rita and Stan.

The suspension of shipments caused revenues to decline to US$2.59 billion in September, compared with US$2.76 billion in August. Still, revenues for the month were up about 31% from September 2004. The increase in the value of oil exports allowed Mexico to narrow its trade deficit in September to US$268 million from US$475 million in the same month in 2004, said preliminary statistics published by the Secretaria de Hacienda y Credito Publico (SHCP). The high oil prices proved to be a double-edged sword for Mexico, forcing the oil company to spend a record US$1.18 billion to import gasoline and other refined products. This continues a trend for the year, with imports for January-August already 74% higher than during the same period in 2004, said PEMEX. Mexico has been forced to import a portion of the gasoline sold in the country because of a lack of refinery capacity to process crude oil.

Some analysts, however, point out that Mexico is underutilizing its refinery capabilities. "The refineries in our country are operating at 80% of capacity," said Antonio Gershenson, a columnist for the Mexico City daily newspaper La Jornada. "In the US, before the recent arrival of [Hurricanes Katrina and Rita], capacity was at 97%." Gershenson said that the crude oil that cannot be exported because of refinery problems in the US should be processed in Mexico. "There is no excuse not to operate our refineries at a greater capacity," he said. Lower house approves new tax-relief bill for PEMEX Mexico's strong oil-export revenues have made it easier for the Mexican Congress to approve legislation to allow PEMEX to keep a slightly larger share of its revenues. Of the total US$80 billion in revenues projected for 2005, US$63 billion will have been turned over to the federal treasury in the form of taxes and fees.

In late October, the Chamber of Deputies overwhelmingly approved a bill to reduce the company's tax burden by 23 billion pesos (US$2.1 billion). The reduction in the tax burden is intended to help the company invest more money to repair pipes and other aging infrastructure, which have caused serious environmental problems in Veracruz, Tabasco, Campeche and other states (see SourceMex, 2005-08-10). Energy Secretary Fernando Canales Clariond said the 23 billion pesos would not cover PEMEX's investment needs in 2006. "It does represent an important injection of resources that will give the state-run oil company greater budget flexibility," Canales told participants at a meeting of the Asociacion Nacional de la

Industria Quimica (ANIQ) in late October. The amount of tax relief approved by the Chamber of Deputies is actually lower than the 25 billion pesos (US$2.3 billion) contained in an earlier version of the bill passed during the summer (see SourceMex, 2005-07-20). Fox vetoed that earlier bill at the request of the governors association (Confederacion Nacional de Goberandores, CONAGO), which feared that a reduction in the amount of money going to the Mexican treasury would mean cuts in federal funds allocated for the states. In exchange for support from CONAGO for the new bill, Congress pledged to increase funding for the Programa de Apoyo para el Fortalecimiento de las Entidades Federativas (PAFEF) in the 2006 budget. The Senate must still approve the PEMEX tax-reform bill before the measure goes to Fox. "The president has promised that he will not veto this version of the bill," Canales said. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Oct. 26, reported at 10.90 pesos per US$1.00]

(Sources: Notimex, 09/29/05; Agencia de noticias Proceso, 10/20/05; La Jornada, 10/02/05, 10/18/05, 10/19/05, 10/21/05, 10/24/05; La Cronica de Hoy, 10/04/05, 10/21/05, 10/25/05; El Universal, 10/11/05, 10/13/05, 10/21/05, 10/25/05; El Financiero, 10/21/05, 10/25/05)