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Mexico Expects To Offer Ultraclean Gasoline By 2012

Mexico took an additional step to clean up its air quality by announcing a program to boost production of gasoline with extremely low levels of sulfur. A major part of the plan includes constructing two refineries in central Mexico to produce gasolina Magna UBA (Ultra Bajo Contenido de Azufre), which should be available to the public in about three years. The effort to reduce harmful emissions has been sporadic in recent years, with authorities pushing stricter standards for automobiles in the country's three largest cities and also encouraging the use of cleaner fuels like ethanol. Even with the push toward cleaner fuels, Mexico still lags behind other countries in making hybrid cars available to its consumers, said a recent report published by the news wire CNN Expansion. Construction of new refining facilities scheduled in 2009 The push for cleaner air during the past decade has been led by Mexico City, which has greatly improved air quality by imposing tougher standards on motor vehicles (see SourceMex, 2000-01-12). The Mexican Congress and President Felipe Calderon's administration have also taken steps to clean up the air in Mexico City, Guadalajara, and Monterrey by requiring that gasoline sold in the country's three largest metropolitan areas be oxygenated.

The clean-fuel requirement was part of legislation promoting the creation of an ethanol industry in Mexico (see SourceMex, 2007-06-06 and 2007-09-05). The Calderon administration's plan to launch production of Magna UBA is part of the Proyecto Integral de Combustibles Limpios, a campaign to promote the use of clean fuels in Mexico. Under the initiative, Mexico plans to refurbish and expand facilities at six existing refineries to produce the Magna UBA blend, which will be distributed primarily in Mexico's three largest cities. At present, Magna Sin is the cleanest gasoline offered by the state-run oil company PEMEX. In 2007, PEMEX successfully introduced Magna UBA diesel, a clean fuel used primarily by the trucking industry. The Magna UBA gasoline will have a sulfur content of 30 parts per million, the same ratio as Magna UBA diesel. In comparison, Magna Sin gasoline contains 300 ppm of sulfur. The US standard has been 30 ppm since 2004. Officials at PEMEX subsidiary Pemex-Refinacion said the first two facilities to produce Magna UBA would be refineries in Tula, Hidalgo state, and Salamanca, Guanajuato state.

Construction, scheduled to start in 2009, is expected to cost about US\$2.6 billion. Two Mexican companies Grupo ICA-Fluor Daniel and Swecomex have expressed interest in participating in the upgrade of the two facilities. Other possible participants include Italy's SNAM Projects and South Korean-based Samsung. Pemex-Refinacion expects to decide on which company to hire by the end of the year. It's possible that some of the Mexican firms will form a partnership with the foreign companies, as has been the case in similar projects in the past. The winning bidder is expected to begin construction by February 2009, with the project set for completion within a three-year period. This means that Magna UBA should be available to the Mexican public by sometime in 2012. While the private bidder is expected to invest a large share of the capital required to construct the plant, PEMEX will be required to make some expenditures. The company needs to raise funds to ensure it has sufficient money for its investment-guarantee program (Proyectos de Inversion Diferida En El Registro del Gasto, PIDIREGAS), from which the winning bidder will benefit. This could mean an increase of 22 centavos (US\$0.02) per liter in the price of gasoline at the pump, PEMEX officials said. A large share of the money would come from the three metropolitan areas, which together account for

25% of the gasoline usage in Mexico, said the Mexico City daily newspaper El Universal. In the long run, motorists could end up saving, once the gasoline is available to the public, said the Organizacion Nacional de Expendedores de Petroleo (ONEXPO), which represents gas-station operators and other retailers. In addition to reducing air pollution, the new gasoline would help cut down on automobile repairs, noted ONEXPO Carlos Guerra.

Environmental institute launches new site with emissions data In addition to promoting cleaner fuels, the government is encouraging motorists to find other ways to reduce emissions. For example, the Instituto Nacional de Ecologia (INE) launched a Web site that gives would-be car owners pollution and mileage information about the vehicle they are about to acquire. According to the INE statistics, the worst polluters are the Rolls Royce Phantom (574 grams of carbon dioxide per kilometer) and the Mercedes Benz ML 63 AMB (391 grams). By contrast, the cleanest car is the Honda Civic Hybrid (100 grams of carbon per km). One big problem for Mexico is that many vehicles circulating in the country are brought by expatriates from the US. By some estimates, about 2 million vehicles were brought into the country from US states in the past two years. In many cases, these are older vehicles that do not meet US emissions standards. To address the situation, the Mexican government is seeking agreements with California and other US states to test cars that could eventually end up in Mexico, INE president Adrian Fernandez told the Associated Press. Very few hybrid vehicles sold in Mexico While Mexicans are beginning to become more aware about emissions, there is very little opportunity to buy hybrid vehicles in the country. A recent report from CNN Expansion said only about 1,067 hybrid vehicles had been sold in Mexico since June 2006. The reason is that only one company, Japanese-based Honda, is offering hybrids in the Mexican market. The report said two companies have conducted marketing research in Mexico, but have not taken any action to sell hybrids in the country. "And two other companies have invested in plants to manufacture hybrids in Mexico, but only for export," said CNN Expansion. The report, quoting the specialized magazine The Futurist, said the meager sales in Mexico are in stark contrast to global trends, which have seen sales of 820,000 hybrid vehicles between 1997 and 2006. CNN Expansion said the Mexican government is partly to blame because it has not incorporated hybrid vehicles into its clean-air strategies. The report said a major element that is lacking is incentives to manufacturers to encourage assembly of hybrids in Mexico for the domestic market. "There would also have to be incentives for consumers to acquire this type of vehicle," said CNN Expansion. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Sept. 17, 2008, reported at 10.82 pesos per US\$1.00.]