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# Huge Explosion Rocks Administrative Headquarters of State-Run Oil Company PEMEX in Mexico City; Gas Leak Apparent Cause

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By Carlos Navarro

A fatal explosion at the PEMEX administrative complex in Mexico City has raised new questions about the ability of the state-run oil company to provide a secure environment at its facilities—even those not directly involved in the production of hydrocarbons. The incident, which occurred on Jan. 31 in the basement of the B2 Building of the PEMEX Tower, destroyed three floors and killed at least 36 people. More than 120 people were injured, including some critically.

President Enrique Peña Nieto's administration was initially at a loss to explain the cause of the explosion, but, after a weeklong investigation, a team concluded that the most likely cause was a gas leak from a water-heating system into a tunnel below the PEMEX tower.

Deputy Attorney General Alfredo Castillo said the leak theory is supported by the fact that the blast blew off manhole covers over the tunnel. There's a connection to, as you've seen, a place where there are gas facilities," Castillo told reporters during a tour of the explosion site. "These manhole covers were found completely blown off."

A parking garage, a storage site for documents and polishing machines, and a water-treatment plant were located in the basement area of the B2 building where the explosion occurred. The two floors above the basement housed offices for the PEMEX workers union (Sindicato de Trabajadores Petroleros de la República Mexicana, STPRM) as well as management offices for human resources and administration.

PEMEX has had to deal with contingencies during the past several decades, including two recent incidents in 2012—a fatal explosion at a natural-gas processing plant in Tamaulipas and a major oil spill in Oaxaca in September 2012. But those incidents and similar accidents in the past decade have been at production facilities, not at an administrative building.

### ***Sabotage theories abound***

Castillo's update was the first concrete information given to the public. Before that, most official comments merely noted that the investigation was continuing. The initial vacuum of information led to broad speculation about the causes of the explosion; including that PEMEX might have been the target of sabotage. But Mexican investigators received assistance from US, British, and Spanish experts, who determined that no trace of explosives was found at the site.

"The cautious approach can be a double-edged sword," columnist Pascal Beltrán del Río wrote in the Mexico City daily newspaper *Excélsior* four days after the explosion. "On one hand, the government is able to manage the flow of information and is not a slave to its words. But, in the face of a society that is thirsty for news...that lack of information becomes a fertile breeding ground for the creation of myths."

"A number of unofficial theories have circulated following the tragedy at the PEMEX administrative offices. Everything has been mentioned, from a criminal attack with explosives, a gas leak, a short circuit, a fire, a structural failure in the building to an internal act of sabotage to destroy evidence of corruption," columnist Roberto Zamarrripa wrote in the Mexico City daily newspaper *Reforma* on Feb. 4. "The prevalence of theories has distracted from the need of authorities to offer a complete and convincing explanation."

"In the end, people are going to reach their own conclusions without paying much attention to the facts. As has been the case in many other similar incidents, the conspiracy theory prevails," wrote syndicated columnist Sergio Sarmiento. "For now, the most prevalent theory circulating in social networks is that it was an internal action by someone at PEMEX to hide information. There is also talk that a group of dissidents was responsible [for an act of sabotage]."

One news organization offered what at the time seemed a plausible explanation for the accident. Milenio TV, which is part of the media group that publishes the daily newspaper *Milenio*, said the incident might have been caused by an implosion caused by halon gas, a fire-suppressant chemical that PEMEX was storing at the site. The oil company recently removed the gas from circulation after the substance was banned globally because of its threat to the environment.

But others disputed the presence of any flammable substances in the area, which made an implosion unlikely. "There is a heater, but there are no tanks, gas-storage units, or electrical generators at the site," Sarmiento said on Feb. 4.

### ***Accident compared to huge explosion in Guadalajara in 1992***

Zamarrripa likened the recent incident to the explosion that rocked Guadalajara in 1992, when a gas leak into the city's sewer system destroyed several city blocks. "That accident resulted in hundreds of deaths, the loss of homes, and the destruction of an old neighborhood. It also brought political change to Jalisco, an area that had been a stronghold of the Partido Revolucionario Institucional (PRI)," said the columnist.

Zamarripa wondered whether the explosion at the PEMEX building would have any political repercussions for the Peña Nieto administration or for the PRI, in the same way that the Guadalajara explosion resulted in the resignation of Jalisco Gov. Guillermo Cosío and the imprisonment of former Guadalajara mayor Enrique Dau. But some observers noted that the situation is completely different from the Guadalajara tragedy, including that any negligence related to the explosion occurred during the administration of ex-President Felipe Calderón of the conservative Partido Acción Nacional (PAN). And there appears to be little that the city administration, which has been in the hands of the center-left Partido de la Revolución Democrática (PRD), could have done to prevent the accident.

The one common factor with the Guadalajara tragedy is the initial suspicion of sabotage. "The speculation at that time was sabotage, in much the same way as the explosion at the B2 building of the PEMEX tower was thought to be an attack," said Zamarripa. "It was better to talk about an evil external cause instead of going after the irresponsible and corrupt officials in PEMEX."

Still, some noted that the accident occurred on the watch of a very young and inexperienced PEMEX CEO Emilio Lozoya Austin, who has held the job for only two months. Lozoya had no direct experience with PEMEX or the Mexican oil industry at the time of his appointment to one of the most important posts in Mexico. He was named as PEMEX director after serving as one of the coordinators of international strategy during Peña Nieto's presidential campaign in 2012. Before that, he was a member of the administrative council of the multinational transportation-infrastructure company OHL México, whose parent company is in Spain.

"The strength of the boy wonder is not to manage a company like PEMEX and its productive chain that includes exploration, extraction, refining, distribution, and marketing," columnist Jesusa Cervantes wrote in *Proceso.com*. "[Lozoya's] expertise, rather, is in the financial sector, where he has developed and managed several investment funds."

"Whether it was sabotage, human error, or accident, the incident caught the boy wonder and his security chief off guard," said Cervantes. But the issue is not how the young PEMEX executive dealt with the emergency, since senior administration officials—including Attorney General Jesús Murillo Karam, Interior Secretary Miguel Ángel Osorio Chong, and Energy Secretary Pedro Joaquín Coldwell—took charge in the aftermath of the explosion.

While Lozoya was on a trip to South Korea, possibly to meet potential contractors for PEMEX projects, Osorio assumed emergency logistics tasks while Murillo Karam assumed the role of gathering intelligence to determine what happened. "[Lozoya] returned to Mexico just in time to give an update on the number of victims," said Cervantes.

The big question, says Cervantes, is how Lozoya deals with the question of corruption that has dogged PEMEX for decades. One test is whether Lozoya's former connections to OHL might benefit the Spanish company when the time comes for PEMEX to hand out contracts for infrastructure construction.

### ***Could accident drive debate on PEMEX opening?***

The PEMEX accident comes at a time when the Congress and the Peña Nieto administration are pondering reforms to expand the participation of private companies in PEMEX. While the explosion appears to be the result of negligence—and not outdated infrastructure—the need to bring private capital to help the state-run oil company modernize has been a frequent point of discussion for the past couple of decades.

During the presidential campaign, Peña Nieto promised to push for reforms that would bring more private capital into PEMEX, allowing it to modernize and perform tasks that would keep the Mexican oil industry viable, including deepwater exploration and drilling.

For Peña Nieto to achieve his goals for a major overhaul of energy policy, he must get the Congress on his side. He accomplished this in December by forging an agreement with all parties in Congress to move forward with a shared agenda, including energy.

But others suggest that before Peña Nieto pursues productive reforms to PEMEX, he should seek "ethical" reforms. "[The president] should seek a clear strategy to modify the manner in which PEMEX operates, enters into agreements, and deals with those it has wronged," said Zamarripa.

"PEMEX is weakened by internal corrosion," added Zamarripa. "And not even the best reform—an imitation of the Brazilian model—is enough to move the company forward if the current levels of corruption and neglect are allowed to continue."