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LADB Staff

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U.S.-Mexican Consortium to Build Thermoelectric Plant in Chihuahua

by LADB Staff

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In mid-February, a consortium of US and Mexican utility and engineering companies received a concession from the Mexican government to construct a thermoelectric plant in northern Chihuahua state. The plant, dubbed Samalayuca II, will have a total production capacity of 700 megawatts generated in three separate units. The facility, which will be constructed at a cost of US\$650 million, will be located in the outskirts of Ciudad Juarez, near the border with El Paso, Texas. One of the partners in the project is the Mexican engineering and construction company Ingenieros Civiles Asociados (Grupo ICA), which is participating in the venture through its subsidiary ICA/Fluor Daniel. The US partners include the engineering company Bechtel Enterprises, the giant multinational company General Electric, and the Texas-based utility El Paso Natural Gas Company. ICA and General Electric have cooperated on other electricity generating facilities in Oaxaca and Veracruz states.

For Samalayuca II, the consortium will design, construct and finance construction of the plant. Once the project is concluded, operation of the facility will be transferred over to the Comision Federal de Electricidad (CFE). Under terms of the agreement, reached after two years of lengthy negotiations, the consortium will recover its investment through leasing rights paid by the CFE. According to Grupo ICA president Bernardo Quintana, Samalayuca II is the first plant financed entirely with private funds and without government loan guarantees. About US\$125 million of the initial investment will be provided by General Electric. The remaining US\$525 million will be financed by US-based financial institutions Citibank, Citicorp. and Paine Webber. Construction of the plant is expected to generate 1,000 direct jobs and 7,000 indirect positions. An earlier project near the US-Mexico border a coal-fired electricity generating plant dubbed Carbon II in Coahuila state was scrapped because the major partners involved in its construction and operation had demanded the right to set rates for electricity generated at the plant in order to pay for costly anti-pollution equipment. Grupo Acerero del Norte (GAN) and Texas-based Mission Energy were the principal investors in that project before it was discarded.

The same costly anti-pollution equipment is not needed at Samalayuca II, since the facility will not be fueled by coal. In fact, Federal Electricity Commission director Rogelio Gasca Neri told reporters that the Chihuahua plant is being designed both to protect the environment and conserve natural resources. In addition, Gasca told reporters that the electricity produced at the plant will increase Mexico's total electricity generating capacity by 10%. In a study released in early February, the CFE estimated that demand for electricity in Mexico has risen by an average of 5% annually during each of the past 10 years and is expected to continue at the same pace or higher in the coming years. In order to meet the needs required by the population, the study projected a need for investments of US\$30 billion in the electricity sector. About half of that amount (US\$15 billion) will be needed for actual construction costs, while the rest will be required for support infrastructure, financing, and other purposes. The Samalayuca II plant is one of a handful of new electricity generating facilities

planned by the government over the next several years. One of those is the gas-fueled Merida III plant, whose construction is due to begin sometime during 1995.

The Energy Secretariat is expected to announce concessions for construction of that facility by mid-April. Merida III will differ from Samalayuca II in that private companies will be hired to manage and operate the facility after completing construction. The electricity generated at the 440-megawatt plant would then be sold to the CFE. A number of foreign companies are included in the list of those bidding for the concession, including four corporations from Japan, three from the US, and one each from Germany, Canada, Spain, and Brazil. In addition, most major Mexican engineering companies have also placed bids (see SourceMex, 08/03/94). Concessions for Merida III were originally due to be announced by mid-January of this year. The delay in the announcements may affect the timetable for construction of the plant, which was due to open in two phases, one in April 1998 and the other in April of the year 2000. (Sources: Spanish news service EFE, Inter Press Service, 02/09/95; Journal of Commerce, 02/10/95; La Jornada, 02/09/95, 02/12/95)

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