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In late July and early August, the Comision Reguladora de Energia (CRE) moved ahead with several major projects to expand distribution of natural gas in Mexico. In the most prominent project, the CRE awarded separate contracts to Consorcio Proyecto Energia and Consorcio Mexigas to distribute natural gas in the Mexico City metropolitan area. Proyetos de Energia de Mexico (PEM) a partnership formed by US-based Lone Star Gas International and Mexican companies Grupo Diavaz and Controladora Comercial e Industrial won the concession to construct an 83-km pipeline to serve residents of the Federal District, which extends to the city limits of the Mexican capital. Lone Star Gas has a controlling interest in the partnership with a 70% share.

The CRE awarded the second concession in the Mexico City area to Consorcio Mexigas, a joint venture formed by Gaz de France and Mexican construction company Bufete Industrial. The consortium will construct a 430-km pipeline to serve residents of the Cuautitlan-Texcoco region in Mexico state, just outside the city limits of the capital. Consorcio Mexigas spokespersons Miguel Favela and Pierre Cochet said the partnership opted for the Cuautitlan-Texcoco concession because of the strong potential for increased demand from industrial users. Demand for natural gas in areas just outside Mexico City is expected to grow by between 8% and 10% annually over the next several years. Consorcio Mexigas and PEM won the concessions over a partnership formed by Spain's Grupo Repsol, Gas Natural de Mexico (GNM), US-based Houston Industries, and Mexico's Grupo Gutsa.

Repsol and its Mexican subsidiary GNM have already received a number of concessions to construct pipelines and supply natural gas to residents of northern cities in Mexico. The two winning consortia each pledged to invest US$500 million in the projects, which will service 650,000 users within five years. Consorcio Mexigas and PEM spokespersons said the two consortia will employ special safeguards in constructing their pipelines to prevent serious damage in the event of an earthquake.

Federal and local authorities hope to convert most households in the Mexico City area to natural gas by 2013. This will require investments of about US$4 billion over the 15-year period, said Angela Fuentes, president of the Asociacion Mexicana de Gas Natural (AMGN). The switch to natural gas is expected to reduce pollution, since the fuel is cleaner and safer than the liquified petroleum gas (LPG) used by most households in the capital and surrounding areas. The AMGN said the change will also benefit consumers because the cost of natural gas is typically 30% to 50% lower than LPG.

Similar projects launched in other states

In another concession announced recently, the CRE awarded a contract to Mexican company Gas Zapata to construct a pipeline connecting Puebla and Morelos states. The pipeline will run through the industrial corridor connecting the city of Puebla to the Morelos cities of Cuautla and

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Cuernavaca. Gas Zapata is expected to invest US$20 million in the project. The CRE is also planning to expand natural-gas infrastructure in other parts of central Mexico.

In late July, the commission opened bids for private consortia to construct a series of natural gas pipelines in the Bajio region. The project will serve residential and industrial users in the cities of Celaya, Leon, Silao, Irapuato, and Salamanca, all in the state of Guanajuato. Companies that have expressed interest in the project include Tahmah Energy, Oteka y Compania, El Paso Energy Corp., Nova Gas Internacional de Mexico, Grupo Gutsa, and Tejas Gas de Mexico. CRE president Hector Olea said the winner is expected to invest about US$53 million in the project.

This year, the CRE is also expected to open bids for construction of natural-gas pipelines to supply the cities of Guadalajara, Queretaro, Tijuana, and Torreon-Laguna. Adrian Lajous, director of the state-run oil company PEMEX, said the expansion of domestic infrastructure to transport natural gas will be accompanied by increased production of this fuel. Lajous said PEMEX is targeting daily production of 0.15 billion cubic meters of natural gas this year and 0.17 billion cubic meters by 2000, an increase of about 60% in only six years.

In addition, the federal government plans eventually to eliminate a 5% tariff charged on imports of US and Canadian natural gas under terms of the North American Free Trade Agreement (NAFTA). In late July, Lajous told reporters elimination of the tariff is targeted for sometime in late 1999. [Sources: El Financiero International, 07/27/98; Financial Times (London), 08/03/98; The News, 07/24/98, 08/03/98; Reuters, 07/22/98, 08/04/98; El Nacional, 04/14/98, 08/05/98; Novedades, 07/24/98, 08/05/98; El Universal, 07/23/98, 08/05/98; El Economista, 07/24/98, 07/27/98, 08/05/98; Excelsior, 08/05/98]

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