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PEMEX Postpones Remodeling Concessions for Refineries in Two States

by LADB Staff

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The state-run oil company PEMEX has postponed awarding contracts to remodel and expand refineries in Guanajuato and Hidalgo states because the original plans were considered "unprofitable." The company postponed the projects in early March after discovering that current plans for expansion of the Salamanca and Tula refineries could result in losses of US\$122.5 million for the government.

Jaime Willars Andrade, director of the PEMEX subsidiary Pemex-Refinacion, said the government will reopen the two projects to private bids at the end of April, once the remodeling plans have been revised. According to Willars, the delay in remodeling the two refineries could postpone the government's plan to reduce imports of unleaded gasoline by about 40,000 barrels per day. PEMEX had intended to boost domestic production of unleaded gasoline to 46,000 bpd this year by expanding capacity at five refineries, including Tula and Salamanca (see SourceMex, 1999- 01-20).

In mid-February of this year, PEMEX awarded a contract to a Mexican-foreign consortium to remodel and expand the Francisco I. Madero refinery in Tamaulipas state. The consortium comprises Mexican engineering company Triturados y Basalticos (Tribasa), South Korea's Sunkyong, and Germany's Siemens AG. The partnership pledged to invest about US\$1.2 billion to refurbish existing facilities and construct 10 new plants at the refinery, one of PEMEX's most antiquated oil- processing facilities. The Tribasa-Sunkyong-Siemens consortium also won the contract to remodel the Cadereyta refinery in Nuevo Leon state last year (see SourceMex, 1998-09-16).

The daily business newspaper El Economista said PEMEX may also have postponed the Tula and Salamanca projects because the most viable offer came from the Tribasa-Sunkyong-Siemens consortium. In mid-February, Willars said that no consortium could win contracts for two projects if the construction periods coincide. The time frame of construction of the Tula and Salamanca was similar to the Madero project.

Some construction-industry executives also accused PEMEX of favoring consortia with heavy participation from foreign interests in awarding contracts. Bernardo Quintana, president of Mexican engineering company Ingenieros y Asociados (ICA), said companies like Sunkyong are subsidized by their governments, allowing the company and its partners to offer a lower bid than competitors. ICA and its partners, US-based Fluor Daniel and Italy's Snamprogetti, were unsuccessful bidders in the Cadereyta and Madero projects.

The delay in remodeling the Tula and Salamanca refineries could also have repercussions for similar expansion and remodeling projects at refineries in Salina Cruz, Oaxaca state, and Minatitlan,

Veracruz state, later this year. When bids will be solicited for these two refineries will depend on the global financing conditions. PEMEX is funding capital projects like the refinery expansion through issues of bonds on international markets. (Sources: Reuters, 02/15/99, 02/16/99, 02/17/99; El Economista, 02/16/99, 03/02/99, 03/11/99; Excelsior, Novedades, 03/11/99; El Universal, 03/08/99, 03/11/99, 03/15/99)

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