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Government Plans To Allow Private Companies To Import Liquified Petroleum Gas

by LADB Staff
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The Secretaria de Energia (SE) has announced steps to prevent a shortage of liquified petroleum gas (LPG), similar to the shortage that developed in late December and continued into mid-January. In early January, the SE said it would allow private companies to import LPG and to construct new processing facilities and distribution centers for the fuel. The shortage of LPG in late 1999 and early 2000 was blamed on distribution problems caused by damaged pipelines in Texas and southeastern Mexico. Supplies of the fuel, used primarily for heating and cooking, were especially short in the states of Guerrero, Yucatan, Oaxaca, Michoacan, Colima, Chiapas, Zacatecas, and Chihuahua. Energy Secretary Luis Tellez Kuenzler acknowledged the shortage was partly the result of an inefficient distribution system. Under the system, the state-run oil company PEMEX has been the sole supplier of LPG. "If we had more distributors, perhaps we could have resolved the problem in a more timely manner," said Tellez. PEMEX has maintained a monopoly over LPG imports, even though changes to Article 27 of the Mexican Constitution in 1995 opened the door for private companies to assume some of these import functions (see SourceMex, May 3, 1995). "There is no legal obstacle to allowing private imports of liquified petroleum," Tellez said. President Ernesto Zedillo's administration has already announced tentative plans to allow the importation of LPG in 2000. Hector Olea, president of the Comision Reguladora de Energia (CRE), said his agency is still drafting regulations to govern the distribution and pricing of imported LPG.

Shortages will also be eased by new processing plants

As part of its plan to deal with LPG shortages, the SE will construct two new processing plants and 54 new distribution centers this year. PEMEX has allocated 8.74 billion pesos (US$919 million) to construct these facilities, which are expected to boost daily production capacity by about 12,000 barrels per day. PEMEX said production and imports of LPG now stand at about 420,000 bpd, compared with an average of 327,000 bpd in January-November and about 380,000 bpd in late December. But PEMEX's policies to boost imports have been criticized by the petroleum-engineering organization Ingenieros Constitucion de 1917. The group said PEMEX has devoted too much effort in the past 10 years to boosting imports of LPG instead of channeling resources toward exploration and refining. The group warned that the lack of emphasis on exploration could result not only in shortages of LPG in Mexico, but also of natural gas, gasoline, and diesel. "Mexico has become an exporter of raw materials and an importer of processed fuels," the group told the daily newspaper La Jornada in January.

Conversion to natural gas remains on track

The increase in production and imports of LPG is a short- to medium-term solution, since the Zedillo administration is attempting to convert most cities and industrial corridors in Mexico to natural gas. Mexico City authorities are especially anxious to boost usage of cleaner-burning natural gas in the metropolitan area, since this could make a major dent in air pollution in the Mexican...
capital. But the conversion is expected to take several years, particularly in areas like Mexico City, which lack pipelines and other necessary infrastructure. In 1998, authorities estimated that the conversion to natural gas in Mexico City would not be completed until about 2013 (see SourceMex, August 5, 1998). The CRE awarded two separate natural-gas concessions for the Mexico City metropolitan area, one for within the city limits and another for surrounding areas in Mexico state. Texas Utilities, a partner in the MetroGas joint venture that won the concession covering the city, expects the company to complete construction of a 2000 km pipeline by 2003. This pipeline will serve 2.5 million customers, MetroGas president Kirk Sherr told Reuters news service in mid-January. The other partners in MetroGas are Mexican companies Grupo Diavaz and Controladora Comercial e Industrial (CCI) and Spain's Grupo Hidrocanabirico. Metrogas is already providing natural gas to 100,000 customers in the Mexican capital, primarily industrial users. This number is expected to increase by about 350,000 by 2004, Sherr said. The conversion to natural gas is also proceeding in Guadalajara, Mexico's second-largest city. In January, the CRE opened bids for private consortia to participate in concessions to construct infrastructure and distribute natural gas in Guadalajara and seven surrounding communities. The CRE will accept bids through April 26 and expects to announce the winning bidder by late June, Olea said. The cost of the project, which will initially serve at least 100,000 users, is estimated at about US$100 million. [Note: Peso- dollar conversions in this article are based on the Interbank rate in effect on Jan. 26, reported at 9.51 pesos per US $1.00] (Sources: Novedades, 01/04/00; Proceso, 01/09/00; Reuters, 01/12/00, 01/18/00; El Economista, 01/18/00; La Jornada, 01/04/00, 01/13/00, 01/19/00, 01/20/00, 01/21/00)

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