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Energy Secretariat Announces New Scheme To Attract Private Investment To Two Petrochemical Plants

by LADB Staff
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President Ernesto Zedillo's administration has proposed a new scheme to attract investors into two petrochemical projects without having to give up state control of the facilities. The proposal aims to bring badly needed private investment to modernize and expand the Morelos and La Cangrejera petrochemical complexes. The proposal complies with the requirement in the Mexican Constitution that the government retain majority ownership in energy projects, sources at the Secretaria de Energia (SE) told the daily newspaper Reforma. Under the plan, all existing facilities at La Cangrejera and Morelos would remain the property of Pemex-Petroquimica, a subsidiary of the state-run oil company PEMEX. But companies participating in the projects would retain control of additional buildings or structures that are added to the complexes. The ethylene and other chemicals produced at the facilities would be divided between Pemex-Petroquimica and the private investors.

Mexican, foreign companies express interest in plan
Several companies have expressed interest in participating in the project, including US-based Dow Chemical Co., Canada's Nova Chemicals Corp., Spain's Repsol SA, and Mexican companies Grupo Alpek and Grupo Idesa. Under the plan, Mexican companies would be given preference. But any private participation in the plan proposed by the government would most likely involve Mexican-foreign partnerships, said sources at the Asociacion Nacional de la Industria Quimica (ANIQ). The SE said potential investors could bring US$300 million in capital to La Cangrejera and Morelos and help the government meet its goal to eventually increase ethylene production to 850,000 metric tons at each facility. The two plants, which currently produce about 500,000 MT of ethylene, were expected to boost production to 600,000 MT this year, even without the private investment. But columnist David Shields, who specializes in energy issues for the Mexico City daily newspaper The News, said the schemes to attract capital to La Cangrejera and Morelos are small efforts when compared with the magnitude of investment needed by the Mexican petrochemical sector. Shields said the Zedillo administration and PEMEX have neglected the petrochemical sector after several efforts at privatization failed. The administration's privatization efforts have failed because of opposition from Congress and unions or lack of interest from private investors (see SourceMex, October 26, 1996). This is the second time the Zedillo administration has proposed privatization of the Morelos plant. A previous plan was withdrawn in early 1999 when the only bidder withdrew from the process (see SourceMex, February 24, 1999). "PEMEX has virtually made no investments at all in Pemex-Petroquimica and this has had a devastating effect on operating results," said Shields. (Sources: Reuters, The News, 04/26/00; La Jornada, 04/27/00; Reforma, 04/25/00, 05/03/00)