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Energy News In Brief

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The Mexican government reported strong oil-export revenues in the first five months of the year because of high petroleum prices. But the increase in oil prices is also affecting natural-gas prices and led to complaints from Mexican business organizations. Natural-gas supplies are expected to increase in northwestern Mexico with the completion of a pipeline in Baja California by 2003. The government, meanwhile, has agreed to demands by the environmental organization Greenpeace for an independent audit of the Laguna Verde nuclear power plant in Veracruz state.

Mexico reports strong oil-export revenues in January-May
A sustained increase in global prices has earned Mexico US$5.786 billion from crude-oil exports during the first five months of 2000. In a preliminary report published in late June, the state-run oil company PEMEX said Mexico's revenues from sales of crude oil during January-May are already at 65% of the total obtained during all of 1999. The average price for Mexican crude oil in January-May was US$23.95 per barrel. Prices surpassed US$25 per barrel in February and again in May, said PEMEX. The trends reported by PEMEX are consistent with statistics published by the US Department of Commerce earlier in the month. The department said the US paid US$3.504 billion to import crude oil from Mexico during January-April. This total is 138% higher than the amount paid in the same four-month period in 1999, the Commerce report said. The US accounts for more than 75% of PEMEX's total exports of crude oil. But the recent increase in global prices has raised some concerns among Mexican energy officials who fear repercussions for the global economy. "I do not feel comfortable with oil prices at US$30 per barrel," Mexican Energy Secretary Luis Tellez said at an energy-industry forum in Houston on June 30. At the urging of Mexico and Norway, the Organization of Petroleum Exporting Countries (OPEC) agreed in late June to increase global oil supplies to bring down prices. Effective July 1, OPEC members will increase total exports by 708,000 barrels per day. Mexico, separate from OPEC, committed to increase its own exports by 75,000 bpd. Tellez said he was confident global oil prices were strong enough to sustain a small increase in supplies. "This gives us the opportunity to place more crude oil on the world market at adequate prices," Tellez said in an interview. But Tellez's strong push to raise crude-oil production has met some resistance among Mexican legislators. Deputy Benito Osorio, who chairs the energy committee (Comision de Energeticos) in the lower house, said Mexico is fast approaching its technical production limits and should not pump much more oil. Furthermore, said Osorio, the increased production will require Mexico to burn more natural gas to extract the oil. "This will translate to economic losses, since the extractions will burn about 350 to 450 cubic feet of gas," Osorio told the daily business newspaper El Financiero.

High US prices affect natural-gas costs in Mexico
The surge in oil prices has caused domestic prices for natural gas to double during the past year, raising strong concerns among Mexican industrial groups. Led by the Confederacion de Camaras Industriales (CONCAMIN), the Mexican private sector has urged the Comision Reguladora de Energia (CRE) and PEMEX to take steps to bring down the cost of natural gas, which in June alone
increased by more than 40%. Theoretically, natural gas prices in Mexico are allowed to fluctuate with the free market. But the CRE has authorized PEMEX to determine this "free-market" level through the use of the benchmark price in Houston. "We should be enjoying the competitive advantage we have as producers and not have to follow the reference price in the US," said Sergio Gutierrez Muguerza, president of the Camara de la Industria de Transformacion (CAINTRA) in Nuevo Leon state. Natural-gas prices in Mexico have been increasing gradually since the middle of 1999 but experienced a surge of 40% in June of this year. "These increases are exaggerated," said Gutierrez. He said the high costs are already beginning to have an adverse impact on several industries in northern Mexico, including manufacturers of glass, steel, textiles, ceramics, cement, and chemicals. CONCAMIN director Alejandro Martinez Gallardo said his organization and other business chambers have initiated discussions with the CRE, PEMEX, and the Asociacion Mexicana de Gas Natural to solve the problem. "We will seek to draft a policy that would allow us to reverse the exaggerated increase in the price of gas and other fuels," Martinez said. The high prices have sharply reduced demand for natural gas, raising concerns among executives at MaxiGas Natural, a leading distributor in Mexico. "If we do not have a solution this week, or at the latest next week, we will lose sales," said company director Gerard Mallet.

**Gas pipeline to connect southwest Arizona with Baja California**

A US-Mexico partnership has won a contract to construct a 212-mile pipeline to supply US natural gas to northern areas of Baja California. The pipeline, from southwestern Arizona and southeastern California to northern Baja California, will transport gas supplied by the El Paso Natural Gas Co. in Ehrenberg, Arizona, to supplement the growing residential and industrial demand in northern Baja California state. The increased supply should especially benefit the Rosarito and Hermosillo power plants, which are experiencing a surge in demand for electricity. US-based PG&E Corp. will construct and operate a 77-mile segment of the pipeline running through US territory, while a joint venture between US-based Sempra and Mexico's Proxima Gas will be responsible for the 135-mile section of the project in Mexico. Proxima Gas executive Gaston Luken Aguilar said the project, known as Bajanorte, is scheduled for completion in 2003. "The project will ensure that current and future industries in northern Baja California will all have access to natural gas, which is a clean, efficient, and safe source of energy," Luken said. Bajanorte is the fifth joint venture between Proxima Gas and Sempra Energy in northern Mexico. The two companies, which are about to complete a 25-mile natural-gas pipeline connecting San Diego and Rosarito, have also been involved in projects in Mexicali, La Laguna, and Chihuahua. Government agrees to audit Laguna Verde nuclear power plant After years of criticism from Greenpeace Mexico and other environmental organizations, the Mexican government finally agreed to submit the Laguna Verde nuclear power plant to an independent audit. Under a plan announced by the Comision Federal de Electricidad (CFE), Greenpeace and the Comision de Energeticos in the Chamber of Deputies will select an independent expert to conduct a comprehensive audit of the Laguna Verde facility. "We have agreed that, for everyone's peace of mind, the CFE will allow an independent technical inspection of the Laguna Verde plant," CFE director Alfredo Elias Ayub told reporters. Elias Ayub said he met with Greenpeace Mexico before making the decision. In January of this year, the organization demanded an inspection of Laguna Verde following allegations of several accidents and cover-ups at the plant (see SourceMex, January 12, 2000). Earlier this year, the British-based nuclear-power consultant Large and Associates issued a report supporting Greenpeace Mexico's allegations. The report cited poor organization and maintenance at Laguna Verde, which placed
the plant "on the verge of institutional failure." The study, based on a World Association of Nuclear Operators (WANO) inspection, compared the plant to the Ukraine's Chernobyl, site of the world's worst-ever nuclear accident. Laguna Verde is located only 275 km east of Mexico City, which would place the Mexican capital in jeopardy in the event of an accident similar to Chernobyl. Elias said he was confident the independent audit would show that Laguna Verde has complied with international safety guidelines. "Plants with similar levels of performance as Laguna Verde have operated safely in the past and are currently continuing to operate," said Elias. "We would also note that such plants have continued to operate in other countries, as in the United States, with full knowledge and agreement of government regulators and without mandated shutdowns." (Sources: Reuters, 06/05/00, 06/06/00; The News, 06/07/00; La Jornada, 06/07/00, 06/09/00; Associated Press, 06/06/00, 06/12/00; Excelsior, 06/07/00, 06/14/00; Notimex, 06/25/00; El Economista, 06/07/00, 06/09/00, 06/13/00, 06/14/00, 06/27/00; Reforma, 06/07/00, 06/15/00, 06/26/00; El Financiero, 06/07/00, 06/09/00, 06/13-15/00, 06/15/00, 06/26/00, 06/27/00; Novedades, 06/07/00, 06/27/00; El Universal, 06/07/00, 06/14/00, 06/26/00, 06/28/00)

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