10-8-2003

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LADB Staff

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Recommended Citation
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by LADB Staff

Category/Department: Mexico
Published: 2003-10-08

The former governing Partido Revolucionario Institucional (PRI) is expected to become the most important player in the upcoming congressional debate concerning reforms in the electrical-power sector. The PRI extended its hold on the Chamber of Deputies with its sweeping victory in the 2003 midterm congressional elections, thus giving the party control of both houses of Congress (see SourceMex, 2003-07-16).

The PRI is not unified on energy reform. The party leadership, several governors, and a handful of legislators are at least willing to consider changes to the Constitution to allow private companies to generate electrical energy for the public. At present, private companies are allowed to produce energy for their own consumption or for private commercial entities.

President Vicente Fox and the Congress agreed to place a high priority on reforming the energy sector following the president's State of the Union address in early September (see SourceMex, 2003-09-03). But Fox has made it known that he hopes Congress will remain open to the possibility of constitutional changes, which would create more certainty for private entities that participate in the electrical sector.

Some PRI members, including party president Roberto Madrazo, said they remained open to discussing this issue with Fox. Among those who support flexibility are Deputy Miguel Angel Yunes, legislative floor leader Elba Esther Gordillo, ex-deputy David Penchyna, and several governors. Madrazo articulated this position after discussions on energy reform with Interior Secretary Santiago Creel Miranda and Energy Secretary Felipe Calderon Hinojosa.

Many PRI governors support changes to Constitution
Northern governors like Enrique Martinez of Coahuila and Tomas Yarrington of Tamaulipas have been among the most vocal supporters of opening the electrical-power sector further to private investment. Some PRI governors in other regions are also supportive of this position. This group includes Arturo Montiel of Mexico state, Miguel Aleman of Veracruz state, and Manuel Andrade of Tabasco state.

In an interview with the daily newspaper El Universal earlier this year, Aleman said the PRI would have to review provisions in its constitution that prohibit the party from supporting changes to the Mexican Constitution regarding energy.

A handful of governors like Jose Murat Casab of Oaxaca and Fernando Moreno Pena have dissented from this position. Murat said the highest court (Suprema Corte de Justicia de la Nacion, SCJN) has already issued a ruling that would prohibit private interests from participating in electricity
generation. In a ruling in 2002, the SCJN said Fox violated the Constitution when he drafted a plan allowing private entities to construct power plants to sell 50% of their capacity to Mexico's two largest electrical utilities (see SourceMex, 2002-05-01).

Murat's position is in line with a group of hard-core legislators like Sens. Manuel Bartlett Diaz and Oscar Zetina, who oppose any further opening to the private sector and question the legality of existing rules that allow private entities to produce any electricity (see SourceMex, 2003-07-16). Bartlett said the opinions expressed by the governors and a few members of the party leadership did not reflect the position of the party. "PRI members from throughout Mexico are against any plan to turn over our electricity sector to foreign interests," said Bartlett. "We are talking about the 11,000 rank-and-file members who participated in our most recent national assembly."

Also joining the opposition to the electricity-privatization plan are the electrical workers union (Sindicato Mexicano de Electricistas, SME) and other labor organizations. The SME helped organize a massive march in Mexico in early October to protest the administration's efforts to open up the electrical sector to private interests. "Fox, understand, our country's not for sale," the crowds chanted as they converged on the Zocalo square. "Congress, watch out, our electricity is not for sale!"

**PRI opponents may join ranks with PRD**

Even if some members of the PRI break ranks and vote with legislators from Fox's center-right Partido Accion Nacional (PAN), Bartlett and other critics of the Fox plan say the PRI still has the center-left Partido de la Revolucion Democratica (PRD) on its side. PRI Deputy Hector Pablo Ramirez said at least 70 members of the former governing party in the lower house are willing to form a coalition with the PRD and other minor parties to block efforts to expand private participation in Mexico's electricity sector. "We will resort to any necessary alliances to prevent energy privatization," said the PRD executive committee (comite ejecutivo nacional, CEN).

The PRD leadership has also proposed organizing a national consultation to allow citizens a say in the matter. Even so, a handful of dissenters within the PRD are asking the party to keep an open mind and listen to all of the plans that are presented before adopting a position. This group includes Sen. Demetrio Sodi de la Tijera and Zacatecas Gov. Ricardo Monreal Avila. "I am not saying that I favor changes to the Constitution, but I cannot say in a haphazard manner that I favor or oppose foreign participation," said Monreal, who is expected to seek his party's nomination for the 2006 presidential election.

The Zacatecas governor said legislators from all parties should not be governed just by ideology, since this would create obstacles to true energy reform. "Our existing infrastructure is not sufficient," Monreal said in an interview with the Mexico City daily newspaper La Cronica de Hoy.

Mexico City Mayor Andres Manuel Lopez Obrador, another potential candidate for the PRD nomination, said there was no reason for members of the PRI rank and file and of his party to become alarmed about the discussions on energy reform between the PRI leadership and members of Fox's Cabinet. "There is much to discuss about this process," said Lopez Obrador. "There is still sufficient time to analyze the proposal."
Deputy Francisco Barrio, the PAN floor leader in the Chamber of Deputies, left no doubt where his party stands in the debate. He said demand for electricity is expected to grow by 5.4% over the next 10 years, requiring investments of US$60 billion. "What chance is there that the state will have that money in the next 10 years?" asked Barrio. "As [anyone] can see, the state will not have that money. What is being proposed is private investment only in [power] generation and not in transmission."

Supporters of energy reform point to the need to modernize the country's electrical infrastructure to avoid blackouts such as one that left 4 million residents in five southeastern states without energy for an extended period. Congress seeks to allow PEMEX to produce electricity. Still, some opponents see the possibility of approving reforms to the electricity sector without the need to modify the Constitution. "We are willing to reach agreements with the other parties to ensure approval of reforms to the electrical sector," said PRD president Leonel Godoy Rangel.

Jorge Calderon Salazar, director of the PRD policy institute (Instituto de Estudios de la Revolucion Democratica), said his party, as a first step, will propose autonomy for the two electrical utilities, the Comision Federal de Electricidad (CFE) and the Compania Luz y Fuerza del Centro (CLFC). Additionally, many PRI and PRD legislators favor a proposal, approved by a Senate committee in early October, to allow the state-run oil company PEMEX to produce electricity for its own use and to sell to the CFE and CLFC. Supporters note that no changes to the Constitution are required for PEMEX to begin generating electrical power. Under this plan, PEMEX would build a series of power plants that would give the company the capacity to generate 4,000 megawatts within eight years. (Sources: Dow Jones newswires, 09/25/03; Reforma, 09/25/03, 09/26/03; Agencia de noticias Proceso, 09/25/03, 09/26/03, 09/29/03; Notimex, 09/04/03, 09/28-30/03, 10/05/03; El Financiero, 09/09/03, 09/25/03, 09/26/03, 09/30/03, 10/02/03; El Sol de Mexico, 09/23/03, 10/02/03; Unomasuno, 09/05/03, 09/17/03, 09/25/03, 09/29/03, 09/30/03, 10/01-03/03, 10/06/03; The Herald, 09/15/03, 09/22/03, 09/25/03, 09/26/03, 09/29/03, 10/01/03, 10/02/03, 10/06/03; Milenio Diario, 09/05/03, 09/23/03, 09/25/03, 10/01/03, 10/03/03, 10/06-08/03; La Cronica de Hoy, 09/15/03, 09/26/03, 09/29/03, 09/30/03, 10/01-03/03, 10/06-08/03; La Jornada, 09/22/03, 09/26/03, 09/29/03, 09/30/03, 10/01-03/03, 10/06-08/03; El Universal, 09/26/03, 09/29/03, 09/30/03, 10/01-03/03, 10/06-08/03)