

1-5-2005

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Recommended Citation

LADB Staff. "PEMEX Faces Criminal Charges for Massive Oil Spill in Veracruz." (2005). <https://digitalrepository.unm.edu/sourcemex/4815>

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PEMEX Faces Criminal Charges for Massive Oil Spill in Veracruz

by LADB Staff

Category/Department: Mexico

Published: 2005-01-05

The federal environmental watchdog Procuraduria Federal de Proteccion al Medio Ambiente (PROFEPA) has filed a criminal complaint against the state-run oil company PEMEX for an oil spill near Nanchital in Veracruz state in late December. In addition to the criminal charge against PEMEX, PROFEPA also levied a negligible fine of 2.3 million pesos (US\$202,000) against the company.

The spill, resulting from an explosion at a pumping station, dumped at least 5,000 barrels of crude oil into the Coatzacoalcos River, according to PEMEX estimates. The extent of the spill is under dispute, with the environmental organization Greenpeace Mexico estimating that 15,000 barrels of crude oil actually spilled into the river, endangering wildlife and plants. Veracruz state environmental officials said the spill extended for 17 km into the Gulf of Mexico.

PEMEX director Luis Ramirez Corso toured the spill area with environmental officials but did not make any public statement at that time. He later issued a written release indicating that the state oil company had nothing to hide and would make public all findings of responsibilities for the spill after investigations were completed. PEMEX launched a clean-up operation in the river shortly after the spill, with the company claiming to have recovered most of the oil by early January.

Environmental organizations, however, accused PEMEX of conducting a haphazard operation to reduce public criticisms. The oil company, said Greenpeace Mexico, did not collect all the oil, but used chemicals to disperse the spill and cause it to sink to the bottom of the river.

In addition, the organization accused PEMEX of using cement-processing ovens to burn the oil-contaminated sand, sending plumes of polluted smoke into the atmosphere. This was the second time during a three-month period that an explosion in a PEMEX facility caused significant contamination in Veracruz state. The earlier incident, near the community of Omealca, was less severe but threatened soil and water tables in the state. The PROFEPA fine against PEMEX then was also close to 2 million pesos (US\$176,000).

The Veracruz incidents overshadowed another incident in late December in which a leak in a PEMEX pipeline contaminated 1.5 hectares of land near Cunduacan in Tabasco state. PEMEX officials were able to react quickly to the pipeline leak, preventing damage similar to the incident in Nanchital.

PEMEX deals with almost 1,500 emergencies in five years

The explosions in Veracruz and the leak in Tabasco continue a discouraging pattern in which accidents caused by outdated infrastructure or faulty equipment have resulted in environmental emergencies.

One case actually went to Mexico's highest court (Suprema Corte de Justicia de la Nacion, SCJN). In a decision handed down in April 2003, the SCJN ordered PEMEX to pay an undetermined fine for failing to prevent an oil spill in Tabasco state in 2002 (see SourceMex, 2003-04-09). PROFEPA estimates that PEMEX had to deal with nearly 1,500 environmental emergencies in the five-year period between 1997 and 2001.

A large percentage of these emergencies were the result of pipeline explosions or pipeline leaks in the oil-producing states of Veracruz, Campeche, Tabasco, and Chiapas. Almost one-third of the emergencies involved the accidental release of dangerous chemicals, PROFEPA said. One recent incident reached the Commission on Environmental Cooperation (CEC), created under the auspices of the North American Free Trade Agreement (NAFTA).

In a complaint filed before the CEC last year, a coalition of fishing cooperatives and environmental organizations charged that PEMEX and other federal and state agencies failed to take steps to clean up the Laguna Superior of the Gulf of Tehuantepec off Oaxaca state after a truck accident spilled gasoline into the waterway.

PROFEPA's sanctions against PEMEX for the recent oil spills also underscore the oil company's dismal record in other environmental-protection areas. In 2000, the environmental watchdog rated PEMEX and the Mexican oil industry in general as the worst polluters among more than 6,000 companies surveyed (see SourceMex, 2000-01-02).

PEMEX's status as a major polluter was reinforced by a report published by the Secretaria del Medio Ambiente y Recursos Naturales (SEMARNAT) at the end of 2004, which said the company significantly increased the release of contaminants into the soil, water, and air during 2003. PEMEX released 1.37 million metric tons of pollutants in 2003, compared with 1.15 million MT in 2002, SEMARNAT said. A PROFEPA report on beach contamination released in 2003 attributed the unsafe conditions at beaches in Tamaulipas and Veracruz states to water-pollution problems caused by PEMEX refineries (see SourceMex, 2003-02-19).

Former environment secretary Victor Lichtinger said discharge of industrial waste by PEMEX has contributed significantly to pollution in Tabasco, Campeche, and Veracruz states. Because of PEMEX discharges, the Laguna de Santa Catarina and the Coatzacoalcos River, both in Veracruz state, are among the most polluted sites in the Americas, said Lichtinger.

SEMARNAT officials said increased crude-oil processing and hydrocarbons production contributed to the rise in contaminants in 2003. Sulfur-oxide emissions accounted for the vast majority of total contaminants, with the remainder including nitrogen oxides, contaminant particles, and other organic compounds.

Drilling, exploration cause conflicts with local communities

PEMEX has conflicts with local communities for other reasons besides direct contamination of soil and water. The oil company has faced criticism from the fishing industry in Campeche state for its seismic oil-exploration practices, which use explosive blasts to test for potential deep-water

deposits. Fishing cooperatives in Campeche state have joined the state government and federal agriculture authorities to protest this practice, which they said was driving aquatic life away from traditional fishing grounds. "We have noticed that practically no fish are being caught in this area," said Alejandro Medina, who is in charge of fisheries policy for the Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA).

The fishing industry in Campeche claims losses equivalent to US\$1.2 billion annually, not only because of the low catch but also because of severe restrictions imposed by PEMEX in the areas where seismic tests are being conducted. PEMEX has also come under fire for contamination caused by drilling for crude oil and natural gas.

The strongest outcry has come in the Burgos Basin in northern Mexico, where PEMEX has given controversial contracts (contratos de servicios multiples, CSMs) to private companies to seek and extract natural-gas deposits (see SourceMex, 2003-02-19 and 2003-10-29). The region spans the states of Nuevo Leon, Tamaulipas, and Coahuila. "Extensive damage has been caused in the area where gas is pumped," said Emilio Rangel Woodyard, director of the government's Agencia de Proteccion al Medio Ambiente. The exploration and extraction activities have caused the greatest damage to wildlife and forests, but have also damaged farmland. PEMEX has allocated more than 80 million pesos (US\$7.05 million) to compensate farmers affected by the CSM program.

Rangel said environmental considerations were not initially part of the CSM program, but policies have changed since it was implemented. "If we don't launch an environmental plan, there could be irreversible damage," said Rangel. Lichtinger said PEMEX should not bear full responsibility for the activities in the Burgos Basin. "We should hold the private companies accountable," said the former environment secretary. PEMEX criticized for drilling in protected areas The state-run oil company is also facing criticism for allowing drilling and exploration in some of the country's protected areas.

Some critics have raised concerns that the exploration activities and test drilling in the Atasta Peninsula in Campeche Sound are occurring too close to the Laguna de Terminos, home to sea turtles, manatees, and other protected wildlife. Much of the criticism has been directed at Environment Secretary Alberto Cardenas Jimenez, who has defended the PEMEX project. Cardenas said any new wells in the area would be drilled in a buffer zone.

"[Secretary Cardenas] is ignorant because there is no buffer zone in this area," said federal Deputy Guadalupe Fonz Saenz, a member of the former governing Partido Revolucionario Institucional (PRI). Fonz is one of the representatives from Campeche state in the lower house. PEMEX has been criticized for planning to expand drilling near a protected biosphere known as the Pantanos de Centla in Tabasco state.

In late June, local officials, members of the center-left Partido de la Revolucion Democratica (PRD), blockaded several roads leading to Centla to prevent PEMEX from bringing equipment into the targeted area. The blockade was unsuccessful, but brought attention to PEMEX activities in the area. "PEMEX oil-extracting installations are located within the core zone as are communities that carry out fishing and hunting," said the international environmental organization ParksWatch. "Allowing

these activities in the core zone goes against the very definition of a biosphere reserve and is a constant source of weakness for the protected area."

The oil company has also been criticized for contributing to the degradation of air quality in different locales in Mexico. Last year, state legislators from the Partido Verde Ecologista Mexicano (PVEM) in Guanajuato filed a complaint against authorities in the city of Salamanca for failing to force PEMEX and the state-run electric utility (Comision Federal de Electricidad, CFE) to comply with an emissions-reduction program. Emissions from the two entities, said the PVEM deputies, at times brought contamination in Salamanca to levels three times higher than those in Mexico City and Guadalajara.

Local PVEM deputy Alejandro Garcia Sainz said the complaint asks that both the refinery and the local CFE hydroelectric plant begin using cleaner fuels like natural gas. PEMEX came under fire last year for selling faulty gasoline to consumers in northern Mexico. The consumer protection agency (Procuraduria Federal de Proteccion al Consumidor, PROFECO) received thousands of complaints in four northern states from consumers alleging that contaminated gasoline was causing damage to vehicles and polluting the air. PROFECO director Carlos Arce Macias said PEMEX agreed to allocate 10.4 million pesos (US\$917,000) to compensate the automobile owners after determining that the complaints were valid.

Low funding handicaps PEMEX's environmental efforts

PEMEX officials have made few statements regarding the company's pollution record, but administration officials say they are keeping a close watch on the company to ensure that it complies with environmental-protection laws.

In testimony to Congress in late September, Environment Secretary Cardenas said President Vicente Fox's administration brought 1,300 administrative actions and levied almost 400 fines against PEMEX during its more than four years in office. The secretary told legislators that PEMEX has invested more than 10 billion pesos (US\$880 million) over a seven-year period for environmentally related improvements at its facilities.

PEMEX has made other efforts to improve its environmental record, such as developing a course with the Geosciences Department at the Universidad Nacional Autonoma de Mexico (UNAM) on environmental protection. "Our goal is to develop technicians who are able to resolve environmental problems using new technologies," said Salvador Gomez Avila, an official with the PEMEX environmental and safety division. Former environment secretary Lichtinger, however, said financial considerations remain a major problem for PEMEX because the company is unable to modernize and replace obsolete equipment. "This is not a matter of not wanting to address the problem," said Lichtinger. "This is a question of low financial resources." He said PEMEX operates with a major handicap because it turns over its revenues to the federal treasury in the form of "taxes" and, in return, is allocated an annual budget by the federal government.

The Mexican Congress may consider tax reforms that would allow the oil company to keep a larger share of its revenues sometime in 2006. Reforms to PEMEX's tax code have been proposed frequently in recent years, but Congress has taken no action (see SourceMex, 2000-10-11 and

2002-09-11). "We have drilling platforms and ships that do not operate efficiently and are very unsafe when compared with similar equipment in other regions such as the North Sea," Lichtinger added. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Jan. 5, reported at 11.34 pesos per US\$1.00] (Sources: ParksWatch website, www.parkswatch.org; Milenio Diario, 02/24/04; Spanish news service EFE, 06/11/04; Unomasuno, 03/08/04, 09/30/04; El Financiero, 08/30/04, 10/22/04; La Cronica de Hoy, 04/15/04, 04/20/04, 06/30/04, 07/01/04, 11/11/04; Associated Press, 10/13/04, 12/08/04, 12/23/04, 12/28/04; Notimex, 10/13/04, 01/03/05; Dow Jones news service, 01/03/05; The Herald-Mexico City, 06/09/04, 10/20/04, 01/04/05; Agencia de noticias Proceso, 02/11/04, 06/13/04, 06/29/04, 07/26/04, 07/30/04, 10/14/04, 10/19/04, 10/21/04, 10/28/04, 01/03/05, 01/05/05; La Jornada, 03/02/04, 06/08/04, 09/27/04, 10/21/04, 12/31/04, 01/05/05; El Universal, 01/04/05, 01/05/05)

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