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PEMEX Considers New Refinery, Probably in Tuxpan, Veracruz State

by LADB Staff

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The state-run oil company PEMEX is said to be planning to construct a new refinery to process exclusively the Maya grade of heavy-crude oil. This would be the first refinery constructed in Mexico in 28 years. The facility, which would have the capacity to handle about 300,000 barrels per day, would boost Mexico's ability to process more of its crude oil and reduce reliance on gasoline imports. The government has not made any official announcement of the project, but government and private sources indicate that the refinery will probably be in the port of Tuxpan in Veracruz state. By some estimates, construction of the refinery would require an investment of about US\$4.4 billion.

The site, which is near the border with Tamaulipas state, is said to be favored by PEMEX because of its relative proximity to Mexico City and its available infrastructure. Another advantage to the location is that PEMEX already owns a large tract of land in Tuxpan, said Miguel Tame, director of the PEMEX subsidiary Pemex-Refinacion. "There is a very high possibility that PEMEX will construct the facility here," Tame told the Mexico City daily newspaper Reforma in early October.

Other possible sites include the port of Dos Bocas, also in Veracruz, and Mazatlan in the western state of Sinaloa, said Juan Antonio Barges, director of the Instituto Mexicano para la Competitividad (IMCO). As an alternative to building a new facility, PEMEX could also consider a large-scale expansion of its existing refinery at Salina Cruz in Oaxaca state.

The Tuxpan location, however, seems to be favored by PEMEX officials and politicians. In July, Energy Secretary Fernando Canales Clariond told the Mexico City daily newspaper El Economista that Tuxpan appears to be the front-runner, although the expansion of Salina Cruz should not be discounted. As presidential candidate, Andres Manuel Lopez Obrador of the center-left Coalicion por el Bien de Todos promised, during a campaign stop in the port city in April of this year, that if elected he would construct two refineries in Tuxpan.

Regardless of its final location, the new facility would have capabilities that no other refinery in Mexico has. "The new refinery would process heavy-crude oil almost exclusively," said Reforma. "This means that facility would have to feature advanced engineering to obtain the highest yield from a crude grade that has little value." A recent report from Pemex-Refinacion indicates the refinery would yield much more gasoline per barrel of crude oil than Mexico's existing facilities.

Mexico aims to reduce gasoline imports

The new refinery would have the capacity to produce refined product for export, but the majority of its production would be for the domestic market. Mexican gasoline imports have climbed steadily from about 54,500 bpd in 2003 to about 215,000 bpd through the first eight months of 2006.

The imports are needed to satisfy increased consumption, which has reached about 709,000 bpd, compared with 600,000 bpd just three years ago. "We are importing gasoline and exporting crude," said Canales. "The value-added process is one that we could be performing here at home." \

Mexico's lack of refining capacity has forced PEMEX to process a portion of its crude oil in Texas (see SourceMex, 1993-03-10, 1998-02-14 and 1998-10-14). The company is attempting to modernize several of its refineries to boost their capacity to produce gasoline (see SourceMex, 1999-09-01, 2003-05-21), but the process has been slower than expected. "Almost 12 years ago, PEMEX set out to reconfigure its six refineries, but the program is still far from complete," said Platts news service, which follows trends in global energy markets. "The refineries at Cadereyta and Ciudad Madero in northern Mexico were reconfigured, and a reconfiguration is underway at Minatitlan on the southern Gulf. But Tula and Salamanca in the center of the country were given only relatively minor upgrades. Still pending is Salina Cruz on the southern Pacific, Mexico's largest refinery with a 300,000 bpd capacity." (Sources: Notiver, 04/22/06; El Economista, 07/26/06; Milenio Diario, 09/11/06; Por Esto, 09/13/06; Platts news service, 09/28/06, Reforma, 10/09/06)

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