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LADB Staff

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Several States Compete for Proposed PEMEX Refinery

by LADB Staff

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Several states are lobbying hard for the Mexican government to build a new refinery within their borders, but some experts say locations along the Gulf of Mexico would be more viable than any sites near the Pacific Ocean. The sites proposed are either major seaports or are already home to facilities operated by the state-run oil company PEMEX.

The proposed refinery, which the government would like to begin constructing sometime in 2010, is the largest of the infrastructure projects that were part of President Felipe Calderon's economic-stimulus package proposed in mid-October to help Mexico fight the impact of a global economic crisis (see SourceMex, 2008-10-15).

Construction costs for the refinery are estimated at US\$9 billion to US\$10.8 billion, with capacity projected at 300,000 barrels per day. Officials are targeting facility completion for sometime in 2016. The Calderon government has already allocated about 12 billion pesos (US\$880 million) to the project, primarily for feasibility studies and for constructing supporting infrastructure.

Federal budget supports project

The 2009 budget, which the Congress approved in mid-November, supports Calderon's efforts to stimulate the Mexican economy through expenditures on infrastructure projects (see SourceMex, 2008-11-19).

When the project was first announced, Calderon said he would leave the decision on the refinery's location to PEMEX officials, who would make the decision in close consultation with the Mexican Congress. "My duty as president is to support PEMEX in the decisions that must be made," said Calderon. "These decisions will be based on technical considerations but must also consider economic viability and social criteria." Governors lead lobbying efforts The president's statement did not stop political leaders from coming forward with proposals for the new refinery.

The Mexico City daily newspaper Reforma reported that PEMEX officials have compiled a list of viable sites for the Senate to consider, including Tula (Hidalgo state), Tuxpan and La Cangrejera (Veracruz state), Dos Bocas (Tabasco state), Salina Cruz (Oaxaca state), Manzanillo (Colima state), Campeche (Campeche state), and Cadereyta (Nuevo Leon state). Another locale that has lobbied hard for the refinery but is missing from this list is the port of Altamira in Tamaulipas state.

Governors are engaged in the most intensive lobbying efforts. Leonel Godoy of Michoacan, a member of the center-left Partido de la Revolucion Democratica (PRD), argues that his state is closest to the centers where fuel is in greatest demand. In Campeche, Gov. Jorge Carlos Hurtado of the Partido Revolucionario Institucional (PRI) says his state is best because it is closest to the sites where most of the country's crude oil is extracted. In an attempt to sway Calderon, a member of the governing Partido Accion Nacional (PAN), Hurtado proposed naming the refinery after former

Interior Secretary Juan Camilo Mourino, who died in an airplane crash in mid-November (see SourceMex, 2008-11-12). "The best thing that the government could do is to locate the refinery in our state and at the same time honor our native son Juan Camilo Mourino by giving the facility his name," said Hurtado.

Tabasco Gov. Andres Granier Melo, also a member of the PRI, argues that the refinery belongs in his state, which has the most extensive and modern infrastructure to transport production from the new facility. Some legislators, such as Deputy Marco Heriberto Orozco Ruiz, are also attempting to influence the PEMEX decision. Orozco, a member of the PAN, is pushing for the plant to be built in Cadereyta. "This municipality...is close to the areas of potential market growth and the northern border of our country," said Orozco.

Refinery would reduce need for gasoline imports

Some experts are recommending that the refinery be built closer to the Gulf of Mexico rather than the Pacific Ocean to improve Mexico's capacity to produce Maya-grade heavy-crude oil extracted from the region. This would disqualify Manzanillo and Salina Cruz. "By locating the refinery at the Gulf, we could find a partial solution to our need to import gasoline," said Juan Bueno Torio, former director of PEMEX's refining subsidiary Pemex Refinacion.

Mexico spent about US\$12 billion on gasoline imports between 2000 and 2007, and PEMEX studies suggest that this amount could be reduced significantly if Mexico improves its refining capacity. Mexico has already made some changes to improve its capability to process heavy crude by reconfiguring its Cadereyta, Madero, and Minatitlan refineries. Bueno said refineries such as the one in Salina Cruz in Oaxaca are geared to handle primarily light grades of crude imported from Asian countries, Peru, and Ecuador.

PEMEX officials have not yet defined the terms under which construction bids will be solicited, but the regulations are expected to encourage maximum participation of Mexican-based companies. Observers say, however, that the project will need significant foreign expertise. "PEMEX expectations are that the project be attractive to at least four or five consortia, which would have close to 15 international firms dedicated to constructing these types of complexes," said the Mexico City daily newspaper Milenio Diario.

Pemex Refinacion has proposed a large facility to take advantage of economies of scale, which would in the long run provide some savings for the operation. Preliminary guidelines released by PEMEX require that a community be able to provide a site of about 500 hectares for construction of processing plants and other service facilities, an electrical substation, and storage sites for raw material and finished product. The site would also require an environmental buffer zone. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Dec. 3, 2008, reported at 13.60 pesos per US\$1.00.]

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