

8-5-2009

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Recommended Citation

LADB Staff. "Federal Authorities Investigate Pemex Officials, Employees For Involvement In Fuel-theft." (2009).
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Federal Authorities Investigate Pemex Officials, Employees For Involvement In Fuel-theft

by LADB Staff

Category/Department: Mexico

Published: 2009-08-05

In late July, federal law-enforcement authorities seized key documents from the headquarters of the state-run oil company PEMEX that could implicate some officials in an elaborate scheme in which millions of dollars worth of fuel were siphoned off from pipelines. The raid by law-enforcement personnel from the Procuraduria General de la Republica (PGR) and other agencies suggested that a high level of corruption still exists in the company. Fuel theft costs PEMEX close to US\$2 billion per year. PEMEX inspectors detected at least 396 illegal connections to its fuel pipelines in 2008.

Energy Secretary Georgina Kessel Martinez, speaking to reporters in the aftermath of the raid, promised that anyone found guilty "would face the full consequences of the law." But Kessel held out little hope that the practice would be eradicated anytime soon, given the government's technological deficiencies. "This is a process that is going to take some time because PEMEX not only needs to install new technology but also to conduct an extensive analysis of its system of ducts and create better tools to combat fuel theft," said the energy secretary. She acknowledged that fuel thieves are using more sophisticated technology than that in use by PEMEX.

Kessel said PEMEX is planning to spend over 1 billion pesos (US\$76 billion) between now and 2012 to install a new system to monitor its ducts. There was no immediate comment from PEMEX director Jesus Reyes Heróles, but the company issued a terse statement. "At this time the internal-audit office, with the help of federal police, is seizing computer equipment and documents belonging to the company's security directorate," said a company press release.

The Mexico City daily newspaper La Jornada said the PGR is investigating at least nine Mexican customs inspectors and 20 PEMEX employees suspected of involvement in an elaborate fuel-theft scheme. The customs inspectors allegedly falsified paperwork for tanker trucks carrying the stolen diesel or natural-gas derivatives into the US. The paperwork describes the cargo as "chemicals." Authorities are also probing 100 business owners thought to have participated in the process for at least four years by laundering funds produced from the fuel theft. Fuel theft has been a problem for PEMEX for at least a decade.

In 2004, the administration of former President Vicente Fox launched a special operation to try to eradicate the practice (SourceMex, March 10, 2004), but had little success. According to government investigations, the fuel theft is in operation at pipelines in all or most of Mexico's 31 states and the Federal District. Corruption still prevalent at PEMEX Critics say that the continuation of the practice is evidence that corruption is rampant at PEMEX. Some are pointing the finger at the petroleum workers union (Sindicato de Trabajadores Petroleros de la Republica Mexicana, STPRM), which has long been suspected of participating in the fuel-theft scheme. "The STPRM, headed by Carlos Romero Deschamps, remained quiet following the incident," said the Mexico City daily newspaper Milenio Diario.

The STPRM has been accused of other acts of corruption. The union was implicated in the infamous Pemexgate case, in which company funds were misappropriated to finance the presidential campaign of presidential candidate Francisco Labastida of the Partido Revolucionario Institucional (PRI) in the 2000 election (SourceMex, January 30, 2002). Some analysts like Mario Galicia Yopez called for Reyes Heroles to step down as PEMEX director. "It is evident that the resignation of Reyes Heroles is necessary," Galicia told Milenio Diario. The Mexican Congress also called for a thorough investigation into the matter. "The problem...of corruption in PEMEX...is so huge that this case requires a thorough investigation by the Senate," said Sen. Ricardo Monreal, a member of the center-left Partido del Trabajo (PT).

Gerardo Priego Tapia, who served in the Chamber of Deputies in the 2006-2009 session, also called for drastic action. "There has to be a major shake-up," said Priego, a member of the governing Partido Accion Nacional (PAN). "We have to have full transparency, because the only thing that citizens hear in association with PEMEX is the word corruption." Ex-Deputy Samuel Aguilar Solis, a member of the PRI, asked that the Calderon administration offer concrete steps on how it is going to combat malfeasance in the state-run oil company. "The government has to seal off corruption and stop the theft of fuel," said Aguilar. "This must be done for the good of the country."

Other legislators pointed the finger directly at PEMEX officials. "PEMEX has to be restructured," said former Deputy Jose Maria del Rio Virgen, a member of the Partido Convergencia por la Democracia (PCD). "Our current security operation for the pipelines is shameful." Ex-PAN Deputy Jorge Diaz Casillas said the lack of oversight of PEMEX has been a problem through the years. "Bribery, scheming, and other problems continue to drive the daily administrative practices at PEMEX," said Diaz. Others agreed. "The market has been open through the back door," said Mexico City-based energy analyst David Shields. "Generic distributors are now in charge of transporting fuel, and PEMEX has no control of its distribution chain." [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Aug. 5, 2009, reported at 13.04 pesos per US\$1.00]

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