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State-run Oil Company PEMEX Inaugurates Electricity-Generating Plant in Tabasco State

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In 2003, the Mexican Senate approved changes to the Constitution to allow state-run oil company PEMEX to produce its own electricity (SourceMex, Dec. 17, 2003), and the decision appears to be paying off. Since that time, PEMEX has constructed a handful of small power plants to supply the oil company with electricity, but the largest project to date was a cogeneration facility inaugurated in April 2013, 10 years after the reform was approved. Cogeneration is a process that simultaneously produces both electricity and heat from one fuel source, such as natural gas, making use of heat that would otherwise be lost.

The new facility was completed in November 2012, but the plant did not come online until this year. The cogeneration plant—in the CPG Nuevo Pemex complex in Tabasco state, just outside of the capital city of Villahermosa—has the capacity to produce 300 megawatts of electricity and as much as 800 tons of steam per hour.

Facility represents a step toward self-sufficiency

PEMEX officials say the new facility is a milestone for the company. "Opening the plant is a significant advance for PEMEX's efforts to achieve self-sufficiency in electricity while helping improve operational costs in production of electricity and steam," PEMEX director Emilio Lozoya told reporters at a ceremony marking the official opening of the new facility.

Also present at the ceremony were Social Development Secretary Juan José Guerra; Tabasco Gov. Arturo Núñez Jiménez; Alfredo del Mazo, director of the government lender Banco Nacional de Obras y Servicios Públicos (Banobras); and Alejandro Martínez Sibaja, director of Pemex Gas y Petroquímica Básica, the subsidiary responsible for operations at the plant. Martínez Sibaja said output from the facility is equivalent to 11.2% of all electricity produced at all cogeneration plants in the country.

The cogeneration plant provides cost savings through more efficient equipment and lower maintenance costs, as well as environmental benefits compatible with Mexico’s long-term plan to emphasize green technologies (SourceMex, March 7, 2012). PEMEX officials said the plant would reduce greenhouse gas emissions by 940,000 tons annually.

The plant will supply 100% of the electricity required at CPG Nuevo Pemex and about 55% of the steam energy needed at the facility. The excess electrical production will be distributed to 190 nearby sites operated by PEMEX and its subsidiaries, saving the company about US$152 million a year.

PEMEX officials said the energy provided by the cogeneration plant would also help support drilling and extraction operations for underwater reserves in the Sound of Campeche and reserves in the Mesozoico Chiapas-Tabasco field.
The facility is also expected to supplement electricity for Villahermosa and the Chontalpa region of Tabasco as well as the communities of Reforma, Juárez, and Pichucalco in nearby Chiapas. An amendment approved in 2006 to the original plan allowing PEMEX to produce electricity permits the company to sell excess production to the Comisión Federal de Electricidad (CFE), the state-run electrical utility (SourceMex, Jan. 4, 2006).

"One feature of the project that should not be underestimated is its impact on the regional economy," said the Mexico City daily newspaper El Financiero. "There was an investment of more than 6 billion pesos ($490 million).

The plant’s construction was financed partially by a consortium comprising Spain’s Abengoa Cogeneración Tabasco (ACT) and US-based GE Energy Financial Services, which provided about 36.5% of the capital. The remaining 63.5% came from a syndicated loan granted to the consortium and arranged by Banobras.

**Debates begin on energy reform**

El Financiero said the project offers an example of how comprehensive reforms to the energy sector, which Congress is expected to discuss as soon as the second half of 2013, could leverage Mexican resources with private capital. "Surely, the reforms could translate into investments with a very positive impact in several states, thus providing a mechanism for development," said the newspaper.

While reforms are expected to cover the entire spectrum of energy production in Mexico, the proposal has become synonymous with expanding the participation of private capital in PEMEX. Since Mexico’s laws already allow for limited participation of private companies in the state-run oil company through service contracts and other means (SourceMex, Oct. 29, 2008, and Aug. 24, 2011), there is concern that further opening could lead to loss of control of Mexico’s natural resources to domestic and especially international private interests (SourceMex, Sept. 19, 2012).

Supporters of expanding private participation in energy reform argue that Mexico desperately needs to replace the country’s dwindling reserves of crude oil (SourceMex, Aug. 1, 2012). They note that PEMEX lacks the resources and expertise to conduct capital-intensive projects, especially in the deep waters of the Gulf of Mexico.

But Tabasco Gov. Núñez Jiménez, a member of the center-left Partido de la Revolución Democrática (PRD), suggested that energy reforms, particularly those pertaining to PEMEX, should be subject to a citizen referendum. This avenue for citizen participation was made available through electoral laws that the Congress approved in 2011 (SourceMex, May 4, 2011, and Nov. 2, 2011).

Núñez said the format under which the energy reforms will be decided falls in the hands of 500 federal deputies, 128 federal senators, and hundreds of state legislators (who must ratify changes to the Constitution). "They will be making the decision on behalf of 113 million Mexicans," said the governor. "The time has come to bring this matter to a referendum and thus determine whether we privatize PEMEX or not." [Peso-dollar conversions in this article are based on the Interbank rate in effect on April 24, 2013, reported at 12.17 pesos per US$1.00.]