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Award-Winning Mexican Director Challenges President Enrique Peña Nieto to Answer Questions Regarding Energy Reforms

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In March of this year, the US-based Academy of Motion Picture Arts and Sciences honored Mexican director Alfonso Cuarón with an Oscar for his skill in directing the blockbuster movie Gravity. Cuarón’s achievement brought prestige to the Mexican cinema industry and was a major source of pride for fellow Mexicans. The director leveraged his time in the spotlight to enter the debate on energy reforms in Mexico.

At about the same time that President Enrique Peña Nieto was sending Congress secondary legislation to enable the energy reforms approved by Congress at the end of 2013 (SourceMex, Dec. 18, 2013), Cuarón publicly questioned the initiative. The director took out a full-page advertisement in Mexico City-based daily newspapers La Jornada and Reforma on April 28 challenging Peña Nieto to answer 10 questions about how the government would open up the state-run oil company PEMEX to foreign investment and where the profits would go in this endemically corrupt country.

Corruption, environment central themes

The questions posed by Cuarón centered on two themes: how the government was going to overcome the history of corruption in PEMEX and what steps the administration was going to take to protect the environment.

"The world's multinational oil companies have as much power as many governments," Cuarón wrote. "What measures will be taken to keep our democracy from being taken over by illegal financing and the other methods of pressure by powerful interests?"

A second question had a similar theme. "What regulatory tools will the government use to prevent private enterprises that will participate in the energy sector from employing predatory practices?"

Another question also addressed corruption. "In a country where the rule of law is so fragile (and many times nonexistent) — how are we going to prevent acts of corruption on a massive scale?"

Cuarón’s questions on corruption are especially relevant, given the wide public skepticism about the government’s ability to root out corrupt practices in PEMEX and associated entities, including the petroleum workers union (Sindicato de Trabajadores Petroleros de la República Mexicana, STPRM) and private contractors (SourceMex, Sept. 16, 1992, Sept. 18, 2002, Aug. 5, 2009, and March 19, 2014).

Cuarón’s questions also addressed the environment, including a query on how the Peña Nieto government would deal with environmental disasters and what specific plans there were to promote renewable energy. There was also a question dealing with the government’s pledge that the energy reform would result in cheaper rates for electricity and fuel.

Because of Cuarón’s fame and the popularity that the director gained from his Oscar, the Peña Nieto government felt it necessary to issue replies. Instead of offering straightforward answers, the
administration offered either vague or cumbersome replies. In some instances, Cabinet secretaries insisted that the answers would be clear once the Congress approved the enabling legislative via the secondary reforms, which will probably come up for debate during a special session in June.

Observers generally agreed with the director’s decision to pose the questions publicly. "Cuarón was right [in posing the questions]," Gil Gamés wrote in the online news site La Otra Opinión. "The government of President Peña has not explained, or has not wanted to offer an explanation, on what reform means. Or its explanations have been poor, inept, and insufficient."

"The questions posed by Alfonso Cuarón are sensible, concrete, and allow for easy responses," said syndicated columnist Sergio Sarmiento. "The movie director provided President Enrique Peña Nieto with an opportunity to shine. Instead, we got 13 pages of rules followed by cumbersome replies that no one will read."

The support for Cuarón was not unanimous. Some critics like columnist Carlos Mota of the daily business newspaper El Financiero questioned whether it was appropriate for a member of the artistic community to comment on public policy. "I don’t know what’s worse, the arrogance of certain artists or the ingenuity of the media outlets that provide a forum for their comments. The temptation of people from the world of culture to offer opinions on public policy is one of the chronic diseases in our country," said Mota. "I have always wondered why novelists, movie directors, painters, sculptors, actors, and poets feel they have a license to criticize government decisions, as if they were experts on the subject."

Cuarón had a different point of view on the rights of various members of society to comment. While the director said he considered the replies from the Peña Nieto government to his questions important, he said that the act of questioning the administration was just as important and that fellow citizens should take a similar action. "I do not consider this an act of defiance to the administration," the director said in a radio interview. "My comments are very clear, and there is no phrase that expresses any defiance to the government."

**Administration replies**

Some of the administration’s replies came via social media, but the answers were also vague. For example, in answer to the goal of reducing utility prices, Energy Secretary Pedro Joaquín Coldwell responded in a Tweet: "The reduction to the light and gas bills will come in two years at the latest, after the secondary laws have been approved."

Regarding environmental disasters, the administration also offered a vague response. "The agency in charge of industrial safety and environmental protection (Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos), whose creation was ordered in 2013, will have the capacity to respond to any industrial accident that will put the health of the workers and the environment in danger."

About potential corruption, the administration responded with a list of safeguards in the energy-reform legislation, including provisions that ensure that all auctions will be public, that all contracts will contain a transparency clause, and that all companies will have to make costs and payments public.

Cuarón’s advertisements attracted myriad reactions from other prominent individuals and from columnists of all political stripes.
"In order for democracy to exist, there must communication between those who govern and the people, and I am pleased that this communication took place," said Diego Luna, a popular actor in Mexican telenovelas (soap operas).

There were mixed reactions on the administration’s decision to respond to Cuarón. "That the government responded in writing is only a good first step," columnist Marco Provencio wrote in the daily newspaper Milenio. "Now we have to not only read the responses but examine them more closely to develop a better public dialogue."

"From my point of view, the government’s decision to respond was a mistake. And this is not because I don’t think that it’s important to know when the prices of heating oil, gas, and electric energy will come down and what steps will be taken," columnist Ana Paula Ordorica wrote in the daily newspaper Excélsior. "My concern is that, by responding directly to a Cuarón, the government will antagonize any other citizen who poses questions that receive no replies."

There were some disagreements with the content of the Peña Nieto administration’s responses. Sarmiento took issue with the government’s statement that a decline in the price of gas and electrical energy was inevitable in two years if the reforms are implemented on schedule. "The truth is that energy prices in Mexico have been managed administratively … in other words, fixed for political reasons," said the syndicated columnist. "This is part of the problem. An increase in gas output would reduce the costs of production but not necessarily prices."

"The government has promised that energy reform will allow private companies to produce gas in Mexico and sell it here, thus generating jobs and adding to the tax base. Furthermore, it said that multiple producers of gas, competing with each other, would bring down prices," said Milenio columnist Pablo Gómez, a former legislator for the center-left Partido de la Revolución Democrática (PRD). "This is a bunch of lies. First, we already have a number of companies that produce gas, and the price is the same, which is natural for this market. Secondly, the existence of ‘multiple’ producers does not imply competition or a reduction in prices: we only produce gas that can be sold via a contract with consumers. Third, nothing that multinational companies are able to accomplish is impossible for the state to do."

**Administration sends secondary laws to Congress**

Cuarón’s advertisements were published just as the Peña Nieto government was sending Congress the secondary laws that would enable the reforms to be implemented. The Congress was expected to consider the legislation in a special session in June.

The secondary laws proposed by the executive specifically address the issue of assigning contracts to private parties to conduct exploration activities and exploit hydrocarbon reserves. Under the plan, participants would receive a percentage of profits, along with other benefits that would allow those private parties to deduct costs, expenditures, and investments.

"We intend to distribute projects between the state and the contractor, with each party receiving a percentage of the profits," said an administration statement. "Whichever bidder is willing to allow the state to take the larger share of profits will receive the concession."

"I am confident that legislators will analyze, enrich, and approve this set of reforms, so that their benefits become a reality," Peña Nieto said at a May Day ceremony the day before the text was officially sent to Congress.
The reforms are expected to win easy approval with the support of the governing Partido Revolucionario Institucional (PRI), the pro-business conservative opposition Partido Acción Nacional (PAN), and their allies. A majority of PRI and PAN members contend that private investment is needed in the energy sector because Mexico lacks the capital and technology to reverse a steady decline in Mexico's oil reserves (SourceMex, Sept. 24, 2008, and Aug. 1, 2012).

The center-left parties—the PRD, Partido del Trabajo (PT), and Movimiento Ciudadano (MV)—are expected to present strong resistance to the president’s proposals during the debate on the secondary laws. The center-left parties agreed on the need for deep reforms to PEMEX, but they suggest that this can be accomplished without opening up the energy sector to private and primarily foreign-based entities (SourceMex, Aug. 28, 2013, and March 19, 2014).

The biggest uncertainty, according to some analysts, is whether the reforms will be attractive enough to foreign companies to participate in Mexico’s energy sector.

"Once you see what's put up for bid, that's when you'll see how attractive it is," David Shields, a Mexico City-based independent energy analyst, said in an interview with the Associated Press.

Shields said he expects the Mexican government to offer a mix of deep-water exploration blocks, shale gas deposits, and other types of fields in the opening rounds.

Still, Shields said a transparent bidding process could help some companies to participate in PEMEX projects, with information readily available to the public online. "I think it is viable to have everything on the Internet. That's good. That's very important," said Shields. "This has worked better than most people think."

-- End --