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PEMEX to Open Five Service Stations in Texas

by *Carlos Navarro*

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As Mexico's PEMEX prepares to face competition in the domestic retail market for gasoline, the state-run oil company has established a presence in the US market with the opening in early December of the first of five service stations planned in Houston.

PEMEX is the second Latin American oil company to operate service stations in the US, but the first to sell gasoline in the US under its own name. Petróleos de Venezuela S.A. (PDVSA) has been selling gas in the US under the CITGO brand since 1986. PDVSA bought a 50% stake in CITGO that year, increasing its share to 100% in 1990 ([NotiSur, Dec. 10, 1991](#)). Brazil's Petróleo Brasileiro SA (Petrobras) has also considered establishing service stations in Houston under its own brand name, but the plan is on hold. Outside of Brazil, Petrobras operates service stations in the neighboring countries of Argentina, Chile, Paraguay, Colombia, and Uruguay.

The PEMEX service stations in Houston, which will be operated under franchise agreements, are part of a pilot project that will allow the oil company to determine whether to expand into other areas of the US. PEMEX officials chose Houston because of the city's strategic position in the global oil market and the large population of residents of Mexican and Latin American origin. "This pilot program will allow us to judge the impact of the PEMEX brand against others and will identify business opportunities as part of our evaluation process to enter other external markets," company officials said in a statement.

PEMEX officials acknowledged that the opening of the service stations in Texas and possibly elsewhere in the US is part of Mexico's strategy to comply with the energy reforms approved in 2013 ([SourceMex, Dec. 18, 2013](#)), which require the state-run oil company to generate value.

First station opens in downtown Houston

PEMEX inaugurated the first service station on Dec. 3 in downtown Houston, just north of Hobby Airport. The facility includes a Taco Shack fast-food mini-restaurant as well as a convenience store with other items found in retail outlets that are attached to service stations.

The PEMEX service stations in Houston represent the second venture by a Mexican concern into the convenience store industry in Texas. OXXO, which is owned by beverage company Fomento Económico Mexicano S.A.B. de C.V. (FEMSA), operates sites in Laredo and Eagle Pass, Texas. OXXO plans to invest about US\$850 million to open 900 convenience stores in Texas and elsewhere the US, according to the Virginia-based National Association for Convenience & Fuel Retailing.

The downtown service station and four others that will open in the southeastern and western areas of the city during December are actually renovated properties that previously sold other brands of gasoline, said Adnan Virani, whose family owns the new PEMEX facility and 20 other Houston-area gasoline retail locations. PEMEX expects to open an additional seven service stations in the Houston area over the next two years, according to The Houston Chronicle.

PEMEX opened the station in downtown Houston with a ceremony attended by PEMEX officials José Manuel Carrera, director of alliances and new business, and Marcelo Parizot, deputy director in

charge of liquefied gas and basic petrochemicals. Campeche Gov. Alejandro Moreno Cárdenas, who was on a trade mission to Texas, also was on hand for the opening.

"We want to be put to the toughest test," Carrera said in an interview with The Houston Chronicle, in reference to the competitive gasoline market in Texas.

Carrera said the Mexican and Latin American consumers are important, but the company also wants to attract consumers from other demographics. "We're trying to bring Mexico closer to American consumers," he said.

On the first day of business, the new PEMEX station sold unleaded gasoline for \$US1.55 a gallon, the equivalent of 6.98 pesos per liter, based on the exchange rate of 17.02 Mexican pesos per US\$1.00 that day.

"This price is actually half of the price of Magna grade [unleaded gasoline] in Mexico, which was selling at 13.57 per liter," said the daily newspaper El Financiero.

The newspaper also noted that the price in Houston was about 32% lower than in cities along the Mexican-US border, which tend to sell gasoline at a lower cost than in the interior of Mexico.

All the PEMEX service stations in Houston and elsewhere in the US will be self-service, even though all of the company's gas stations in Mexico are full-service. Additionally, the gas sold in the US will come from a variety of US suppliers, and not necessarily from the PEMEX refinery in the Houston suburb of Deer Park.

The owners of the franchises will have full independence to set prices according to market levels in Houston.

Some of the gasoline sold at PEMEX stations in Mexico also comes from the US, as the state-run oil company requires imports of 650,000 barrels per day of refined products to meet domestic demand.

Transformation of Mexico's gasoline market

The energy reforms also ushered a new era for Mexico's retail gasoline market. Starting in 2016, the more than 11,000 service stations in Mexico will be allowed to enter into agreements with foreign companies, but PEMEX will continue to regulate gasoline imports through the end of the year.

In 2017, private domestic and international competitors will be allowed to sell imported gasoline directly to the public. Under the reforms, these same private firms would be allowed to refine crude and sell fuels at market prices in 2018, as all price controls on gasoline and diesel will be removed that year.

Many service stations will probably opt to continue with PEMEX as their supplier, but they will also have the option of finding a foreign source for their gasoline.

The downside of the changes is that the distribution of gasoline to some rural areas might be affected. Until now, PEMEX has been required to provide services to remote areas, no matter the cost. Now, with a new focus on profit and with added competition, the company can be more selective in the services it provides, said GasBuddy.com, a Web site that offers visitors a comparison of retail gasoline prices.

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