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Carlos Navarro

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As Fuel Theft Becomes More Lucrative, Cartels Fight for Territorial Control

by Carlos Navarro

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Despite the extensive publicity about fuel thefts in Mexico, and a handful of corresponding government measures to combat the practice, the state-run oil company, PEMEX, has been unable to prevent major financial losses caused by the widespread pilfering of fuel. According to a recent PEMEX report, financial losses from fuel theft now amount to 20 billion pesos (US\$1.1 billion) annually.

A study commissioned by the federal energy regulating agency (Comisión Reguladora de Energía, CRE) discovered that between 2009 and 2016, fuel thieves had tapped into pipelines on average every 1.4 kilometers of PEMEX's network, which spans about 14,000 km. The study was not made public, but the findings were obtained by Reuters via a freedom of information request.

Furthermore, a separate report produced by the Auditoría Superior de la Federación (ASF), the federal auditing agency affiliated with Congress, estimated that the number of fuel lines that were tapped nearly quintupled between 2011 and 2016. In addition to the loss of the fuel, PEMEX had to spend nearly 1.8 billion pesos (US\$95 million) for repairs, a tenfold increase during this period.

Because of the lucrative nature of black-market sales, criminal groups like the Zetas, the Caballeros Templarios, and *Cártel Jalisco Nueva Generación* (CJNG) are now involved in the illicit business in a major way. Smaller regional groups, particularly in states like Puebla, run the operations but answer to the larger cartels ([SourceMex, March 15, 2017](#), and [May 10, 2017](#)).

While the criminal organizations have been involved in fuel theft in recent years ([SourceMex, Jan. 6, 2010](#), [June 16, 2010](#), [April 18, 2012](#)), their activity has spiked, due in part to the government's move to deregulate the energy sector ([SourceMex, Dec. 18, 2013](#), and [Aug. 6, 2014](#)), which raised the cost of fuel at the pump and increased sales on the black market ([SourceMex, Jan. 7, 2015](#), [May 20, 2015](#), [Jan. 4, 2017](#)).

Many of the recent high-profile cases—along with the most publicized reports of conflict—have occurred in Puebla state, on an important pipeline that brings fuel from the refinery in Minatitlán, Veracruz, to Mexico City ([SourceMex, March 15, 2017](#), and [May 10, 2017](#)). However, according to federal authorities, the largest incidence of fuel theft is occurring in Guanajuato state, where nearly 1,700 cases were reported in 2017.

Regardless, the number of cases of fuel theft is up in all the states where major PEMEX facilities are located.

"The business is more profitable than drug trafficking because there is less risk," said Deputy Georgina Trujillo Zentella, a member of the governing Partido Revolucionario Institucional (PRI) and chair of the energy committee (Comisión de Energía) in the Chamber of Deputies. "You don't have to risk crossing the border to look for a market. We all consume gasoline. We don't all consume drugs."

Violent conflicts

The theft of fuel has become so lucrative that cartels have started to fight over territory, resulting in bloody battles similar to the conflicts over drug-trafficking corridors.

Guanajuato and Puebla have become battlegrounds for illicit groups. In a video that circulated widely in October 2017, a group calling itself by the names *Cártel Santa Rosa de Lima Guanajuato* and *Unión de Guanajuato* issued a direct challenge to the CJNG for control of fuel-theft operations in Guanajuato. The criminal organization, while not widely known in Mexico, is led by José Antonio Yepes Ramírez and has been identified by authorities as one of the top fuel-theft gangs in the country.

The cartel led by Yepes Ramírez is reportedly fighting CJNG, the Zetas, and the Gulf Cartel for control of fuel-theft operations in a corridor in central Guanajuato that includes the PEMEX refinery in Salamanca and the storage and distribution terminal in Irapuato, as well as operations in the communities of Silao and Pénjamo. The criminal organizations are also fighting for drug sales in communities like San Miguel de Allende and León, two popular destinations for Mexican and US tourists in Guanajuato state.

The cartels have resorted to familiar methods to target their rivals in the power struggle over fuel-theft operations. In November 2017, a gang leader in Puebla lost his life while undergoing plastic surgery. Jesús Martín, also known as *El Kalimba*, was killed by assailants who invaded the clinic where he had gone for the procedure. Three other members of his gang were also murdered.

“[Martín] was there to change his identity via plastic surgery,” said the Puebla prosecutor’s office (Fiscalía General del Estado de Puebla, FGE Puebla). “He was seeking to change his appearance and to modify his fingerprints so that he could no longer be identified.”

Martín’s murder brings to mind a similar case where notorious drug trafficker Amado Carrillo Fuentes, leader of the Juárez Cartel, was killed in 1997 as he was undergoing plastic surgery to change his appearance. In the case of Carrillo Fuentes, the doctors or other medical personnel, rather than invading assailants, are suspected of having carried out the assassination ([SourceMex, July 16, 1997](#)).

On the same day of Martín’s murder, Puebla authorities discovered the bodies of five people in the community of Tlaltenango, including the leader of a fuel-theft gang who was known as Alfredo N, El Cuino, or El Kino.

“Along with the bodies, they found hoses, valves, and pumps used in the theft of fuel. There were also three trucks that were reported to be used for fuel thefts,” PGE sources told the Agence France Presse (AFP) news service. The PGE did not identify the cartels involved in the territorial dispute in Puebla, but earlier reports have indicated that the Zetas and the CJNG are active in the area ([SourceMex, March 15, 2017](#)).

An inside job

The cartels also engage in other practices common to the drug trade—including bribery, extortion, and threats—to gain access to the fuel. Often the victims are PEMEX employees who work at sites like the Salamanca refinery or the Irapuato distribution center.

“Using the habitual narco offer of ‘plata o plomo (silver or lead),’ gangs extort refinery workers into providing crucial information,” Reuters said in a recent in-depth report about fuel theft. The report cited the case of Alberto Arredondo, a pump technician at the Salamanca refinery who received threats against his life if he did not provide information about important aspects of PEMEX operations.

“They said they knew who I was and where I lived,” Arredondo told Reuters. Over a period of two years, the PEMEX employee said, he was harassed, abducted, beaten, and stabbed so severely that he had to have his gall-bladder removed. The threats forced Arredondo to flee Mexico for Canada, where he has requested asylum.

The gangs sometimes obtain the information they need without resorting to violence. According to official documents obtained by the Televisa network in April 2016, federal police detained four suspects in Guanajuato with weapons, Army uniforms, and advanced equipment to detect underground pipelines and conduct perforations.

One of the four suspects, who said he was a PEMEX employee, had on his person several shirts with logos from the state-company’s refining subsidiary, PEMEX Refinación.

In January, PEMEX filed a criminal complaint against several of its employees in Sinaloa state who are suspected of colluding with fuel thieves. The employees were seen in a video helping with extraction operations from a pipeline near the community of Guamúchil in Sinaloa.

“We will not tolerate any type of behavior that runs counter to the interests of the company,” PEMEX said in a statement. “We will do everything in our power to prevent this type of impunity.” Any employee caught in the act of fuel theft will be turned over to the authorities, PEMEX said.

Fuel thieves also obtain some of their product by hijacking tanker trucks. In 2017, 167 of these types of thefts were reported around the country, primarily in the states of Veracruz, Michoacán, Puebla, Tabasco, and Jalisco. According to the national cargo transportation association (Cámara Nacional del Autotransporte de Carga, CANACAR), the most dangerous routes are those connecting Esperanza and Rancho de Trejo in Puebla, Coatzacoalcos and Minatitlán in Veracruz, and Lázaro Cárdenas and Uruapan in Michoacán.

Congressional action

The problem of fuel theft has become so significant that the Mexican Congress was forced to take action. Before the December recess, the Chamber of Deputies approved reforms that allow the finance ministry (Secretaría de Hacienda y Crédito Público, SHCP) to improve oversight of the production chain and marketing of fuels. The reforms are intended to discourage service stations and other legitimate distributors from selling stolen fuel.

“The modifications strengthen the faculties of the federal tax collection agency (Servicio de Administración Tributaria),” said the daily business newspaper *El Economista*.

The reforms to the tax code (Código Fiscal de la Federación), the customs law (Ley Aduanera), and the federal penal code (Código Penal Federal), and to the federal law to prevent fuel thefts (Ley Federal para Prevenir y Sancionar los Delitos Cometidos en Materia de Hidrocarburos) were approved overwhelmingly. They give the CRE the power to impose sanctions, including

the temporary closure of a service station and the disabling of all equipment associated with fuel distribution.

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