

Ministry of Energy issues the Energy Sectorial Program 2020-2024

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On July 8, 2020, the Ministry of Energy published the Energy Sectorial Program 2020-2024 (“PROSENER”) in the Federal Official Gazette. Below you will find a brief summary:

As stated, the purpose of PROSENER is improving productivity, restoring hydrocarbon reserves, diversifying fuel sources, progressively reducing environmental impacts, increasing the role of renewable energies in the national energy balance, and strengthening State-Owned Productive Enterprises (“EPEs”), among other goals.

To achieve such goals, PROSENER establishes the following priority objectives:

1.- To achieve and maintain sustainable energy self-sufficiency in order to meet the population’s energy demand with domestic production. This objective consists of reducing dependency on hydrocarbon and fuel imports by increasing generation and refining capacity and achieving and maintaining sufficient energy production to satisfy domestic demand, regarding both hydrocarbons and electricity.

To achieve energy self-sufficiency, (i) the Federal Electricity Commission’s (“CFE”) generation capacity must be increased in order to reduce purchases of electricity from private companies and reduce costs, and (ii) the regulatory framework must be amended to comply with the criteria of efficiency, quality, reliability, continuity, safety and sustainability for the optimal operation of the National Grid.

2.- To strengthen the EPEs as guarantors of energy security and sovereignty, and as a lever for national development to detonate a multiplier effect in the private sector. This objective highlights the urgency of rescuing CFE and strengthening EPEs through a policy based on the national public interest principle, which allows CFE’s participation in the electricity industry under equal conditions. To achieve this objective, PROSENER establishes the need to eliminate Strict Legal Separation, as well as the asymmetric regulation of EPE (which original objective was to create free competition among market participants).

3.- To organize the scientific, technological, and industrial capacities that are necessary for Mexico's energy transition throughout the 21st century.

4.- To raise the level of efficiency and sustainability in the production and use of energy in national territory. This, through the significant involvement of EPEs, a social inclusion and gender equality approach, and the promotion of science, technology, and engineering.

5.- To ensure universal access to energy, so that all of Mexico's society has access for its development.

6.- To strengthen the national energy sector so that it constitutes the basis that drives the country's development as a force capable of satisfying its basic needs with its own resources, through EPEs, social and private enterprises. This objective provides the need to guarantee the Mexican State's leadership, through necessary investments in EPEs, and to implement a strategic plan for energy policy, which first phase will be the rescue of the energy sector by the Mexican State in 2019-2021 and the second phase will be the positioning of Mexico as an economic, energy and industrial power in 2021-2024.

To achieve the PROSENER's objectives, among others, the following strategies and actions are proposed:

- To coordinate the update and revision of planning instruments for the industrialization and value-added generation of energy resources, especially through EPEs.
- To align the performance of EPEs, the Energy Regulatory Commission and the National Hydrocarbons Commission, to the rescue and promotion of the energy sector.
- To review and correct the authorization of generation permits that are allegedly contrary to the energy policy and align the criteria for granting renewable energy generation permits with the National Development Plan and the national energy policy.
- To set the policy for the establishment of new power plants, which incorporates guidelines so that CFE can participate under equal market conditions.
- To adapt the electricity market regulations to the national energy policy.
- To coordinate the establishment of regulated tariffs.
- To design technological and regulatory conditions that establish an organized expansion of renewable generation.
- To analyze the costs of the renewable energy systems and determine how to allocate such costs to the responsible parties.

- To promote coordinating mechanisms between EPEs, the National Natural Gas Control Centre (CENAGAS) and the National Energy Control Centre (CENACE).
- To amend regulations that are allegedly unjustified, afar from competition criteria and financially damaging.
- To analyze and, if necessary, modify the Market Rules to consider the CFE's and the National Grid's operating costs, and evaluate wheeling tariffs.
- To define details of the Electricity Industry Law regarding the strict legal separation of the electricity industry's activities.
- To design the agenda for the energy sector's scientific sovereignty to satisfy the immediate needs of PEMEX and CFE, and to promote an industrial policy based on such agenda to satisfy the requirements of the EPEs, among other goals.
- To benefit from fuel oil for electricity generation.
- To link the changes in the energy matrix with the planning processes of the EPEs.

For any additional information, do not hesitate to contact our expert team on energy issues, who can be of assistance:

Contact us:

Horacio M. de Uriarte

Partner | hdeuriarte@macf.com.mx

Pilar Mata

Partner | pmata@macf.com.mx

+52 (55) 5201 7400

For more information, visit:

www.macf.com.mx

