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Mexico Energy Reform Bill

On August 12, 2013 the Mexican President, Mr. Enrique Peña Nieto, introduced an amendment to the Mexican Constitution that forms the basis for his energy reform. The amendment removes oil and gas deposit exploration and exploitation from the list of strategic areas where only the Mexican Federal Government can directly engage in and it also removes transportation, storage and basic transformation of oil products from such list.

In the preamble to the proposed amendment, the President states that its purpose is for PEMEX (the state-owned oil company) to fully exploit Mexico's energy potential, by allowing it to enter into agreements with private investors to share the profits from the exploration and exploitation of oil deposits. This new arrangement would allow the Mexican State to retain direct rights over oil and gas deposits, but it would still allow direct involvement of private investors in the industry. Also, the amendment will allow private investors to engage in transportation of oil and, most importantly, to transform oil products (basic petrochemistry industry).

Additionally, Mr. Peña Nieto's energy reform plan also includes modifying the current regulatory framework of electricity production and distribution, thereby attracting private capital to meet the increased demand and improve the reach of the power grid.

The PAN (right leaning party) and the PRD (left wing party) have each introduced their own energy reform bill. The PAN's includes a constitutional amendment and other regulatory statutes, while the PRD's does not include a constitutional amendment.

The Mexican Congress has begun discussing the President's proposed amendment on September 1st and it is expected to be passed in this working period of Congress. However, if passed, additional regulation will be required for the energy reform to take full form and the President is expected to introduce several bills before the end of the year, including one in the following month that will revise PEMEX's tax regime.

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