

# END OF MEXICAN MONOPOLY PAVES WAY FOR IBERIAN OPPORTUNITIES

*Posted on 26/02/2014*



Category: [Archive](#)



**With the opening up the local energy market to international investors, the opportunities for Iberian entrants are endless, in particular for its energy and renewables giants**

When it comes to state ownership of key energy infrastructure, Mexico has held onto the power for the past 75 years. At the end of 2013, however, Congress Members voted in favour of finally liberating the state-controlled market to allow foreign investment.

The move is expected to bring billions of dollars of investment, although lawyers warn that the exact structure of the new, liberated market has yet to be established.

The monopoly of state-owned oil company PEMEX and state-owned power outfit CFE will therefore end this year. Private companies, both domestic and foreign, from around the world will, in theory, be able to compete with them for projects. While Mexico will retain ownership of its natural resources, the reforms pave the way for international entrants to explore and develop oil and natural

gas projects as well as the generation of energy.

"We're not going to feel the first real effects of the energy reform before 2015," explains Juan Carlos Luna, Founder of legal consultants Lawgistic, and until recently Director of Legal Projects – Europe and Global Regions for Hewlett Packard.

"There is still a lot to be defined as more than 20 pieces of legislation need to be amended and created over the next few months. As such, while the constitutional reform has passed allowing foreign investment, international companies still need to better understand how the opportunities will be presented and what the role of the authorities and agencies will be."

Juan Carlos Serra from Basham Ringe y Correa adds the secondary legislation will be accompanied by a lot of structural changes. "For example, there will be new state entities created to run and regulate the power and oil and gas sectors as well as environmental matters. Investors will have to wait before they can get a clearer understanding of how the new market will operate."

The key area of interest is oil & gas, particularly in the Gulf of Mexico. Shale gas too is on the agenda, with the news that the Eagle Ford Shale natural gas pipeline is going to run from the US into Mexico. This makes Mexico of high interest to US businesses because it is the logical export market but they also have a good understanding of how things operate.

Spanish firms too are lining-up to invest in Mexico. Luna points out that Spanish companies have been playing a very significant role in Mexico during the past few years and are a major force in the renewable energy sector and also have significant technologies and know-how in the oil and gas sector. "With a more open market, they have the chance to expand their influence further," Luna says.

Antonio Bulnes, Resident Partner at Garrigues, Mexico, believes that there will be increased opportunities in the Mexican market for Spanish energy companies, as well as equity and debt providers, with experience in electricity generation, CCGT, wind and solar, construction of electric lines and gas pipelines, and service providers that may help to increase efficiency in the grids.

"Those ventures, which will take the form of PPPs, private undertakings and joint ventures with well-established Mexican companies, will commence in the second half of 2014, once the regulations developing the constitutional reform have been passed," Bulnes summarises.

Other lawyers concur that it is more likely that international firms team-up with domestic players, at least in the early stages of liberalisation because a joint venture allows a foreign entity, which does not have the personnel or local knowledge to go it alone, to become familiar with the market – foreign companies will even be able to form joint ventures with PEMEX.

With a more stable political and regulatory regime than neighbours like Argentina, Bolivia and Venezuela, once the legislation has been finalised and the early joint ventures agreed, Mexico can be a land of promise in the years to come.