

Mexico's evolving reform

CLV15 - Crude Oil WTI (NYMEX)

CL*1: 46.65 Vol: 963717

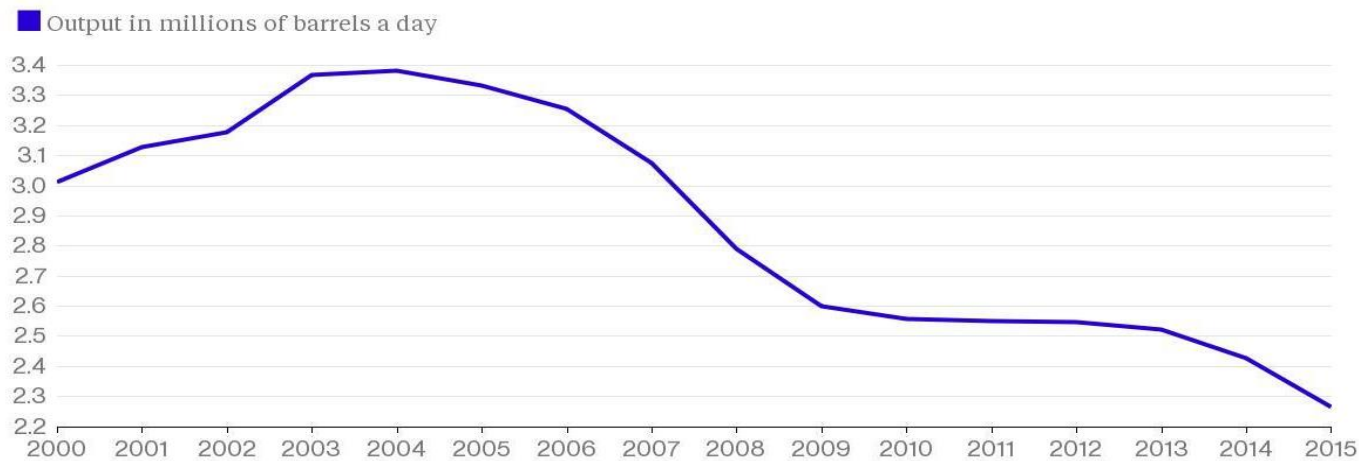


PEMEX: Impact of Declining Production and Near-Term Outlook

PEMEX's production has declined by 6.5% year-on-year

Budget cuts announced at the beginning of the year as well as pension liabilities restrain the companies choices

Local social groups have prevented PEMEX from starting new exploration projects throughout the year



Source: Secretaria de Energia, Sistema de Información Energética

Security outlook

Homicide rates are relatively stable

In states where future drilling projects are located, trends are negative

It is worrying that the murder rate does not seem to be directly affected by any of the strategies the federal government is implementing to counter violence

Rather, it is impacted by the dynamics among organized crime syndicates

State	July 2014	July 2015
Nuevo León	34	33
Tamaulipas	41	44
Veracruz	40	58
Campeche	4	0
Tabasco	11	29

Welcome

- Second annual North American Energy Forum
- November last year:
 - Boom was still recent
 - Oil prices heading down
 - Talk of integration
 - Mex energy reform
 - Keystone and other infrastructure
 - Human capital concerns
 - Innovation
- This year:
 - Almost a year of low prices
 - Boom to bust in Texas, N Dakota, etc
 - Innovation has been strong
 - Human capital worries put aside
 - Mex reform has advanced
- North American energy integration project
 - Energy ministers
 - Describe project
- Program today

Outline

Round One - an evolving story

- Disappointing first auction
- Dialogue with private sector
- Changing terms
- Sener vs Hacienda?
- Legal challenges
- The positive – transparency, progress, commitment

Pemex decline and challenges

- How to turn the ship around?
- Production decline and low prices
- Fiscal impact
- Resistance within Pemex
- “Defending Pemex interests”
- EIA work
- Quadrennial energy review

Security outlook

- Continuing problems

The downstream

- 2016
- Rules emerging
- Refining and distribution