

Energyboardroom.com Releases New 'Inside Oil and Gas' Mexico report

LONDON, UNITED KINGDOM, April 23, 2015 /EINPresswire.com/ -- After decades of holding a monopoly on both exploration and production in Mexico, Pemex, the country's NOC, will be just one of many companies bidding for blocks, thanks to the country's energy reforms bill formally becoming law on December 21st, 2013. Fifteen months later, and despite oil prices dropping dramatically, Mexico decided that it would still press on with its historic auction of offshore blocks.

"The plunge in the price of oil is not negatively affecting the global interest in Mexico's energy industry opening, since we have production and development costs that are far below the price of oil, at USD 22 per barrel," explains Emilio Lozoya Austin, CEO of Pemex. "This makes Mexico a very attractive location to invest in." On December 12th 2014, Mexico's energy sector took a major first step towards private investment when it opened bidding on 14 shallow water exploration and production contracts, covering 4,222km² in Mexican territorial waters.



However, while the exuberance currently electrifying the Mexican oil and gas sector is perhaps justified given developments over the last year, these new companies would do well to remember that a brave new world is dawning in Mexico, and the expertise of the old guard may not prepare companies sufficiently for new frontiers – a lesson that can be learnt from OGX in Brazil, among others.

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In recent decades, Mexico has done little to bust the monopolies and oligopolies that stunt Mexico's growth. The state's control of the energy sector, as well as private monopolies in other strategic sectors including telecommunications, have translated into increased basic costs for Mexicans by some 40 percent according to OECD estimates, although, as Lozoya points out, "Pemex's efforts end up building one out of every three schools, one out of every three hospitals, one out of every three kilometers of roads that are built." Indeed, with the opening up of the energy

sector, the Peña Nieto administration has taken bold steps to act on the mandate for change that was

handed to it in the last presidential election, and has made significant progress to dismantle these concentrations of economic power. Leveling the economic playing field will undoubtedly help to boost Mexico's development, particularly that of small and medium-sized enterprises, the job creators in most economies.

Some, however, have pointed out that at face value, it is big business that is far better positioned to benefit from the opening of the Mexican oil industry as a result of the size of the required investment. "The reforms represent a huge challenge for smaller and medium-sized Mexican companies," says Alejandro Fuentes Alvarado, director general of Detectores y Controladores Del Golfo S.A. de C.V. (DYCGSA). "Domestic businesses will be expected to compete with international businesses that, in some cases, will have a mix of technological, financial and experiential advantages over us. I see this as a challenge, but also as a great opportunity that we should leverage to the fullest."

A [new report](#) from [EnergyBoardroom](#), available today for [free download](#), looks at the challenges and opportunities for companies adapting to the new operating environment in Mexico, and investigates the steps the authorities are taking to smooth the transition.

Featuring:

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