API Faults AMLO for Discrimination Against US Oil Companies

API's letter of May 5 cites discrimination and regulatory mistreatment in the downstream but strategically avoids risk of reputational damage in the upstream

HOUSTON, TEXAS, UNITED STATES, May 18, 2021 /EINPresswire.com/ -- A report dated May 14 by Mexico Energy Intelligence (MEI), an oil industry newsletter, critiques the public posture of the American Petroleum Institute (API), the DC-based oil lobby and standards board, about the business climate in Mexico's energy markets. In a letter dated May 5, addressed to the top diplomatic and trade advisors of the Biden administration, API President Mike Sommers observes that amendments of the electricity and hydrocarbon laws, described as "spearheaded" by President Andrés Manuel López Obrador (AMLO), favor the state-owned energy companies in violation of the U.S.-Mexico-Canada Agreement (USMCA).

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>
> *George Baker*

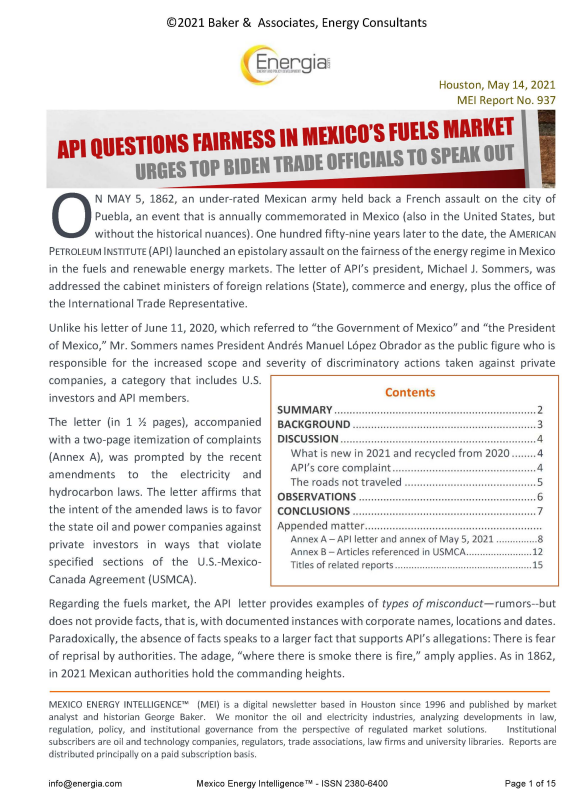
Mr. Sommers's letter resulted in a bilateral exchange on May 17 in which USTR's Katherine Tai indeed urged her counterpart, Tatiana Clouthier, to support "an energy policy that respects U.S. investment and is consistent with efforts to tackle climate change."

The critique of MEI focuses on the letter's silence about the discriminatory treatment of companies in the upstream market segment of exploration and extraction. The MEI report alludes to one case in which authorities give credence to Pemex's claims of partial ownership of a 2017 oil discovery by an American-led consortium, noting that Pemex has not presented empirical evidence to support any claim.

MEI founding publisher George Baker observes that no one wants to criticize the president's policies in the upstream. "AMLO's morning press conference is a gladiator's arena in which the reputation of a person in the public sphere, a company, organization, or government agency can be mauled by derogatory claims and insinuations. There is little to be gained and much to be lost in a confrontation with the President."

Baker observes that it would not make sense to jeopardize the luster of the API brand by wandering into the crosshairs of the president. Companies with an investment horizon of 30 years would let the fireworks of a six-year presidency pass by without public comment.

Baker discerns, however, that silence about the discrimination against upstream contractors carries risks and costs for both investors, Pemex, the two economies, and the bilateral relationship. “If the outcome of a dispute over the ownership of a reservoir in which Pemex is a party is seen as indirect expropriation, the appeal of Mexico as a destination for investment will fall further, with the foreseeable loss of foreign interest in exploration and the development of new reserves, and in higher prices for consumers."



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Houston, May 14, 2021
MEI Report No. 937

API QUESTIONS FAIRNESS IN MEXICO'S FUELS MARKET
URGES TOP BIDEN TRADE OFFICIALS TO SPEAK OUT

ON MAY 5, 1862, an under-rated Mexican army held back a French assault on the city of Puebla, an event that is annually commemorated in Mexico (also in the United States, but without the historical nuances). One hundred fifty-nine years later to the date, the AMERICAN PETROLEUM INSTITUTE (API) launched an epistolary assault on the fairness of the energy regime in Mexico in the fuels and renewable energy markets. The letter of API's president, Michael J. Sommers, was addressed the cabinet ministers of foreign relations (State), commerce and energy, plus the office of the International Trade Representative.

Unlike his letter of June 11, 2020, which referred to “the Government of Mexico” and “the President of Mexico,” Mr. Sommers names President Andrés Manuel López Obrador as the public figure who is responsible for the increased scope and severity of discriminatory actions taken against private companies, a category that includes U.S. investors and API members.

The letter (in 1 ½ pages), accompanied with a two-page itemization of complaints (Annex A), was prompted by the recent amendments to the electricity and hydrocarbon laws. The letter affirms that the intent of the amended laws is to favor the state oil and power companies against private investors in ways that violate specified sections of the U.S.-Mexico-Canada Agreement (USMCA).

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Regarding the fuels market, the API letter provides examples of *types of misconduct*—rumors--but does not provide facts, that is, with documented instances with corporate names, locations and dates. Paradoxically, the absence of facts speaks to a larger fact that supports API's allegations: There is fear of reprisal by authorities. The adage, “where there is smoke there is fire,” amply applies. As in 1862, in 2021 Mexican authorities hold the commanding heights.

MEXICO ENERGY INTELLIGENCE™ (MEI) is a digital newsletter based in Houston since 1996 and published by market analyst and historian George Baker. We monitor the oil and electricity industries, analyzing developments in law, regulation, policy, and institutional governance from the perspective of regulated market solutions. Institutional subscribers are oil and technology companies, regulators, trade associations, law firms and university libraries. Reports are distributed principally on a paid subscription basis.

info@energia.com Mexico Energy Intelligence™ - ISSN 2380-6400 Page 1 of 15

Title page of MEI report 937 that critiques API's selective criticism of AMLO oil policies

He adds that the carbon-neutral aspirations of the Biden administration will restrain officials from undertaking a combative defense of the USMCA protections of oil companies in any market segment. “A formal trade dispute about discrimination would distract from concerns about illegal immigration,” Baker predicts.

Baker concludes that the API is right to be alarmed by AMLO's vision of energy self-sufficiency and for more reasons than it is prudent to state.

API culpa a AMLO por discriminación contra empresas de EU
Pero evita el riesgo de daños reputacionales

En una emision fechada el 14 de mayo por Mexico Energy Intelligence (MEI), un boletín informativo de la industria petrolera, es criticada la postura pública del Instituto Americano del Petróleo (API), la organización cúpula con sede en la capital norteamericana, en relación con los mercados energéticos de México. En una carta fechada el 5 de mayo de 2021, dirigida a los principales asesores diplomáticos, comerciales y energéticos del gobierno norteamericano, el presidente de la API, Mike Sommers, expresó su alarma sobre la dirección de la políticas energéticas.

Señaló que las recientes reformas a las leyes de electricidad e hidrocarburos, que fueron promovidas por el presidente Andrés Manuel López Obrador (AMLO), favorecen a las empresas energéticas estatales en violación al Tratado Entre México, Estados Unidos, y Canadá (T-MEC).

La carta del Sr. Sommers resultó en un intercambio bilateral el 17 de mayo en el que la embajadora comercial Katherine Tai sí instó a su homóloga, Tatiana Clouthier, a apoyar "una política energética que respete la inversión estadounidense y sea coherente con los esfuerzos para abordar el cambio climático".

El cuestionamiento del boletín MEI se centra en el silencio sobre el trato discriminatorio de las empresas estadounidenses dedicadas a la exploración y extracción (upstream). El informe alude a un caso en el que las autoridades dan credibilidad a las afirmaciones de Pemex sobre la propiedad de un descubrimiento de hidrocarburos en 2017 por un consorcio liderado por una empresa norteamericana. (Pemex no ha presentado pruebas empíricas para apoyar ninguna reclamación.)

El editor fundador del MEI, George Baker, observa que nadie quiere criticar las políticas del presidente en el upstream. "La conferencia de prensa matutina de AMLO es un estadio de gladiadores en el que la reputación de una persona en la esfera pública, una empresa, organización u organismo gubernamental puede ser mutilada por reclamos e insinuaciones despectivas. Hay poco que ganar y mucho que perder en una confrontación con el Presidente".

Baker observa que no tendría sentido poner en peligro el brillo de la marca API al deambular en la mira del presidente. Las empresas con un horizonte de inversión de 30 años dejarían pasar los fuegos artificiales durante un sexenio sin comentario público.

Baker discerne, sin embargo, que el silencio sobre la discriminación contra las petroleras en el upstream conlleva sus propios riesgos y costos tanto para los inversionistas, Pemex, las economías de los dos paises, así para la relación bilateral. "Si el resultado de una disputa sobre una propiedad petrolera en la cual Pemex es parte es percibido como expropiación indirecta, el atractivo de México como destino de capital foránea caerá aún más, con los resultados previsibles de la pérdida de inversiónes de capital extranjero en la exploración y el desarrollo de nuevas reservas, y precios más altos para los consumidores."

Agrega que las aspiraciones carbono-neutrales de la administración Biden impedirán a los funcionarios armar una defensa combativa de las protecciones del T-MEC en cualquier segmento del mercado petrolero.

El editor de MEI de 25 años concluye que la API tiene razón al alarmarse por la visión de AMLO de autosuficiencia energética y por más razones de las que es prudente afirmar.

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