

USTR and AMLO in a Flower War over energy policies

Green Swamp of DC vs. Black Swamp of CDMX. The green agenda of President Biden confronts black oil agenda of President López Obrador

HOUSTON, TX, UNITED STATES, August 24, 2022 /EINPresswire.com/ -- The first session of the dispute settlement consultations took place yesterday morning in an online meeting with negotiators from the U.S., Mexico, and Canada. The dispute is about the alleged breaches by the Mexican government of the U.S.-Mexico-Canada Agreement of 2020 (USMCA). In its petition of July 20, the U.S. Trade

Representative Katherine Tai listed five pages of apparent violations of the USMCA that affect the interests of American investors in the energy sector. The broad concern is about the policies that improperly favor the state oil and power companies.

“

USTR to preemptively impose a tariff on refined petroleum products exported to Mexico”

George Baker

The USTR said that it would challenge the Electricity Act of 2021 which favors CFE, the state electricity company, at the expense of investors in renewable power. USTR also criticized policies that penalize investors in fuels and natural gas.

“The odds for success are poor,” says George Baker, Houston publisher of newsletter Mexico Energy

Intelligence (MEI). [“There is a green bias in the USTR’s complaints,”](#) he discerns.

The USTR complaint ignores regulatory and policy deviations from global practices in the upstream market, where American oil companies hold leases. Talos Energy (TALO) has been blocked for five years by such malpractice. The economic value at risk for Talos may be twice that of the midstream and downstream combined, but USTR raises no objections. For Mexico, the risk

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Outline of our report Comment 113: USTR Requests Energy Dispute Consultations with Mexico

is much greater should international oil companies sour on Mexico with the specter of Talos's regulatory mistreatment in view.

Andrés Manuel López Obrador (AMLO) reacted to the USTR petition by saying that "it will go nowhere." On Easter Sunday, opposition lawmakers barely defeated legislation to incorporate the disputed electricity framework into the Constitution, but AMLO acts as if his party had prevailed.

USTR will likely find that each alleged USMCA violation will be dismissed as a measure justified by Mexico's assertion of energy sovereignty.

"It would be a clear breach of USMCA for USTR to preemptively impose a tariff on refined petroleum products exported to Mexico," says Baker, but [with a tariff both parties will have incentives to negotiate in good faith.](#)"

Baker compares the contest of wills that was initiated by USTR against selected energy policies in Mexico as analogous to the "Flower Wars" in central Mexico in Aztec times: Highly choreographed battles were designed to display individual combat ability by nobles of the warring parties. With an equal number of soldiers on each side, the battles were meant to showcase martial strength, not to acquire new territory.

"Had USTR meant to defend the interests of all American energy investors in Mexico, it would have complained about the regulatory abuses of oil companies, starting with Talos, whose 800-million-barrel Zama oil discovery in 2017 has been prevented from development by Pemex and its enablers in both capitals," opines Baker, whose newsletter is focused on the upstream market. "Each day of delay costs investors and the state, taken together, upwards of US\$10 million in foregone revenue from the 160,000 barrels of oil that are not being produced and sold in a tight market."

GEORGE BAKER

Mexico Energy Intelligence™

+1 832-434-3928

info@energia-mx.com

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