

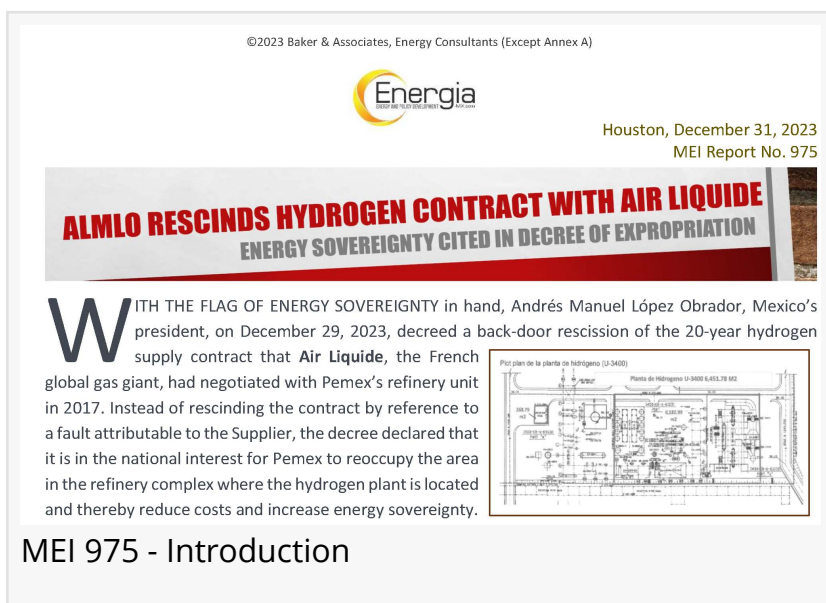
Baker Consultancy Faults Mexico Occupation of an Industrial Gas Plant of Air Liquide

The decree of December 29 affecting the operation of the hydrogen plant belonging to Air Liquide ignores Pemex's obligations in a 2017 contract

HOUSTON, TEXAS, USA, January 8, 2024

/EINPresswire.com/ -- The

management consultancy Baker and Associates, Energy Consultants, announces its summary analysis of the Mexican government's surprise decree of that orders Pemex to "temporarily occupy" a privately owned and operated hydrogen plant at a refinery belonging to Petróleos Mexicanos (Pemex). The report includes an annotated English translation of the decree.

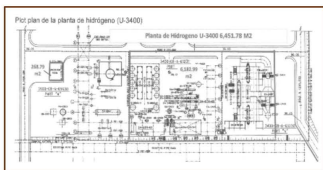


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Houston, December 31, 2023
MEI Report No. 975

ALMLO RESCINDS HYDROGEN CONTRACT WITH AIR LIQUIDE
ENERGY SOVEREIGNTY CITED IN DECREE OF EXPROPRIATION

WITH THE FLAG OF ENERGY SOVEREIGNTY in hand, Andrés Manuel López Obrador, Mexico's president, on December 29, 2023, decreed a back-door rescission of the 20-year hydrogen supply contract that Air Liquide, the French global gas giant, had negotiated with Pemex's refinery unit in 2017. Instead of rescinding the contract by reference to a fault attributable to the Supplier, the decree declared that it is in the national interest for Pemex to reoccupy the area in the refinery complex where the hydrogen plant is located and thereby reduce costs and increase energy sovereignty.



MEI 975 - Introduction

The plant is operated by Air Liquide, the French global industrial gas technology company under a contract signed in 2017 with a fixed and variable cost. Contract terms include a monthly capacity fee of US 1.47 million dollars with the daily delivery of 90,000 m³, maintenance, and the progressive upgrading of the efficiency of the plant at the Tula refinery in the State of Hidalgo. The term of the contract is 20 years.

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The decree does not acknowledge Pemex's obligations under the contract and treats indemnity as a matter of real estate valuation.”

George Baker

Hydrogen is an essential element in refinery operations. It is used to break down heavy molecules of crude oil into lighter molecules of refined fuels and petrochemicals. It is

also used to remove sulfur and other impurities and it is a component in the production of ammonia, which is used for fertilizers and many industrial chemicals,

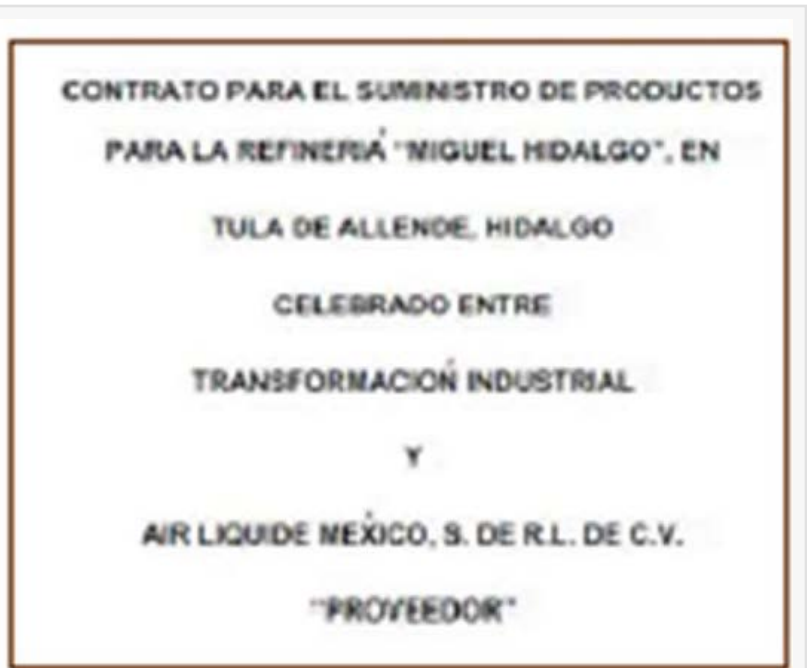
The decree, dated December 29, which cites the Expropriation Act of 2012, gives interested parties just ten working days--to January 12th--to file a protest to be limited in scope to the amount of the indemnity to be paid.

The decree invokes familiar arguments used by Mexico's President, Andres Manuel Lopez Obrador, to discredit the energy reforms of the previous administration. His goal is to increase the control and prestige of the state oil and electricity companies. The decree asserts that Pemex's taking over the hydrogen plant will increase Mexico's energy sovereignty by replacing private ownership with state control. He discerns that control by Pemex would lower costs, thereby adding value to the national economy. Having only one supplier of a critical element puts refinery output at risk.

"The decree does not acknowledge Pemex's obligations under [the 2017 supply contract](#) and treats indemnity as a matter of real estate valuation," says George Baker, the lead author of the report. "The challenge for Air Liquide is to convince the courts that a reasonable standard of public interest has not been met to justify expropriation and that indemnity is owed on the unexpired term of the contract."

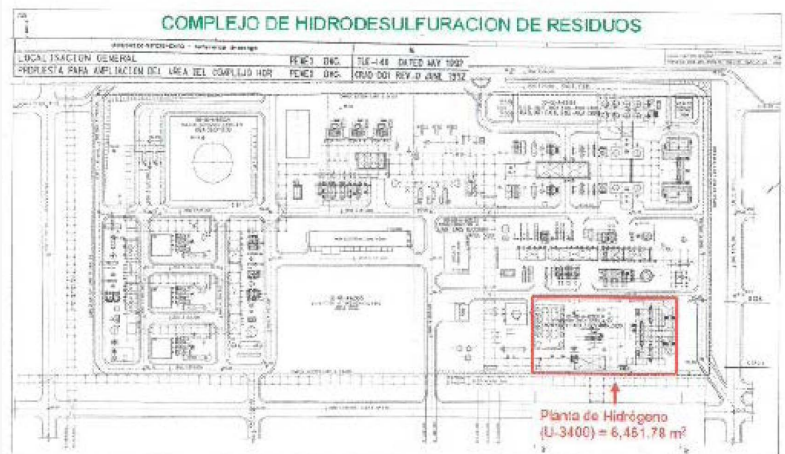
Juan Carlos Collado, an energy lawyer in Mexico City, and a contributor to the report, observes, "it is likely that the affected party may challenge in court, not only the amount of the indemnification but the decree itself for lack of proper grounds in law or in fact or both, since the decree may be viewed as means to repudiate a valid, binding contract. Were the Supreme Court (SCJN) to hear this matter, the justices might look skeptically at the idea that putative lower cost to Pemex could be a valid argument of public interest to justify this sort of temporary occupation, likely to be viewed as tantamount to expropriation."

A follow-up report is in preparation that will examine the complexities of the law and the contractual relationship between the parties, as well as the [grievance narratives](#) of Pemex Director-General Octavio Romero Oropeza.



Title page of 2017 hydrogen supply contract between Pemex and Air Liquide

Plot plan del complejo de hidrosulfuración de residuos



MEI 975 Cartographic plan of the Tula refinery, showing the hydrogen plant.

George Baker

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