- **Chevron:** mostly commodities
- **Texaco:** mostly commodities
- **Shell:** services
- **Schlumberger:** services and equipment
- **Haliburton:** services and equipment

Grupo PROTEXA is considered the most important Mexican supplier of services and technology to *PEMEX*.

The U.S. accounts for more than 70 percent of the market for imported oil and gas technology. *PEMEX* has also relied heavily on French expertise especially with natural gas. Other countries selling oil and gas equipment and services to *PEMEX* include Canada, Japan, Germany, Italy and Spain.

PRODUCT TRENDS AND OPPORTUNITIES

The devaluation of the peso in December 1994, has resulted in a substantial drop in domestic sales of most petroleum-based commodities. The budget has also been cut for the purchase of equipment. In early 1995, equipment purchases by *Petróleos Mexicanos (PEMEX),* the national oil company, were running at one-third of their levels in the previous year.

Recovery will depend on government policies and on the success of its stabilization plan. Industry observers believe *PEMEX's* need for modernization and hard currency earnings from oil exports will lead to a fairly rapid return to 1994 spending levels.

The stabilization program includes plans to accelerate the privatization process. In early 1995, the petrochemical sector was officially opened to foreign participation. The government is also now proceeding with the privatization of the transport, distribution and storage of natural and liquid gas. Some Canadian natural gas has already been sold to Mexico, through U.S. pipelines. Foreign firms are also becoming involved in exploration, under contract to *PEMEX*.

Petrochemical Privatization

The decision to privatize *PEMEX's* petrochemical operations was announced in early 1995. This process will involve the sale of 61 existing plants.

Privatization will be carried out under the supervision of the *PEMEX Comisión Intersecretarial de Desincorporación,* Intersecretarial Commission for Privatization of Existing Assets and Activities. The first tenders began in October 1995.

Mexican corporations are created to operate each facility. *PEMEX* maintains the right to buy minority shares in these corporations, but will dispose of these shares, once the transition to private operation is complete.

Pipeline Privatization

The transmission, distribution and storage of natural gas will also be privatized. *PEMEX* will award 10-to-20-year concessions to build and operate the natural gas infrastructure.

Each division is equipped to handle its own privatization, and each has its own bidding and contracting procedures. But it is not yet known if the natural gas privatization will be handled by *PEMEX Gas y Petroquímica Básica* or by *PEMEX Corporativo.*

PEMEX plans to contract with private firms to build an 85 kilometre underwater natural gas pipeline, to connect offshore oil platforms in the Sound of Campeche to a distribution terminal in the state of Campeche. This would be the first privately-built pipeline in Mexico.

Product Opportunities

As price subsidies are gradually removed and the peso stabilizes, there may be increased demands for petroleum-based commodities. Industry observers suggest that lubricants will be in particular demand, especially for use in the manufacturing industry. Mexico will continue to import unleaded gasoline.

PEMEX will also be seeking consulting services to make its distribution networks more efficient, as well as new technology, to reduce losses from evaporation.

Between 60 to 70 percent of *PEMEX's* current industrial process installations are mechanical/pneumatic systems. The market for more modern equipment is expected to grow as existing systems are replaced.

Gas Stations

There are more than 3,000 gasoline stations in Mexico. Service stations carry the *PEMEX* logo, but since 1992, *PEMEX* has been contracting their operations to private concessionaires. Retail prices are set by the government. *PEMEX* executives say there are plans to introduce natural gas pumps in some *PEMEX* gas stations. One executive commented that the sale of gasoline could be completely privatized within the six-year term of the present government. The entry of international gas station chains into the market is considered likely.

THE REGULATORY ENVIRONMENT

The Mexican energy sector, like Canada's, is subject to considerable government intervention. All operations in this industry, including secondary and tertiary petrochemical plants, continue to require registration with the *Secretaría de Energía (SE),* Secretariat of Energy. On the other hand, the *Secretaría Técnica de la Comisión Nacional del Petróleo, Gas y Petroquímica*, Mexican Petrochemical Commission, has been disbanded, and regulation is not as intrusive as it was in the past.