

Oil and Gas Products and Energy Equipment



THE OPPORTUNITY

The Mexican oil and gas sector offers many opportunities for Canadian suppliers of energy commodities, equipment and consulting services.

- **PEMEX**, the national oil company, has not been entirely successful in matching its products with domestic demand.
- **PEMEX** has had considerable difficulty rationalizing its operations to compete in the newly liberalized trade environment.
- The devaluation of the peso has pressured the government to privatize some **PEMEX** operations, most notably natural gas distribution and petrochemical operations.
- A lack of investment in exploration and development, combined with increased exports to meet foreign debt obligations, has put Mexico in a position where it may have difficulty keeping up with domestic demand growth.

Although individual Canadian sellers are not well-known in Mexico, Canada enjoys a good reputation and is in a position to compete against the American companies that presently dominate the market.

A SYMBOL OF MEXICAN SOVEREIGNTY

Mexico and Canada have much in common in their experiences with the oil and gas sector. They have traditionally regarded energy as a special case for industrial policy, for reasons of both economic security

and national sovereignty. Successive governments in both countries have intervened to manage supply, regulate prices, control exports and limit foreign ownership. This intervention has been much more pervasive in Canada and Mexico than it has been in the United States. Canada and Mexico obtained special treatment for energy resources under the North American Free Trade Agreement (NAFTA). Mexico's petroleum sector "carve-out", however, was more extensive than Canada's.

The public ownership of energy resources is enshrined in Mexico's constitution. Article 27 reserves all rights to subsoil minerals for Mexican citizens, and prohibits foreign participation in strategic parts of the energy sector. Until 1938, this policy was not consistently implemented. In 1938, the government expropriated the private oil companies and established *Petróleos Mexicanos (PEMEX)*, the national oil company, to consolidate the industry under exclusive government control. The oil companies retaliated by boycotting Mexican oil, but this action was short lived because of the strategic requirements of the war. March 18, the *Día de la Expropiación Petrolera* is still

SUMMARY REPORT

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celebrated in Mexico as a day of "national pride".

The national pride attached to *PEMEX* is a powerful force limiting the desire of the Zedillo administration to privatize parts of the energy sector. Privatization of state enterprises has been government policy since 1988, but the energy sector was excluded. In January 1995, the government announced that as part of its stabilization plan, it would accelerate the privatization process. The possibility that this might include *PEMEX* has caused considerable debate, and the government has moved cautiously.

So far, the government has announced that 61 existing petrochemical plants will be sold, and that transmission, distribution and storage of natural gas will also be privatized. But to calm opposition, President Zedillo has assured the nation that *PEMEX* will continue to control the exploration, extraction and processing of oil and gas reserves, as well as the production of basic petrochemicals.

The idea of completely privatizing *PEMEX* seems to receive more international media attention than in Mexico, where the concept is regarded by the public as simply unthinkable. Nevertheless, officials argue that private investors must be brought into the natural gas industry, by one means or another, to support needed expansion. Canadian companies are expected to play an important role in the coming privatizations.

THE OIL AND GAS SECTOR

Energy is the most important sector of the Mexican economy. The nation holds about 5 percent of the world's oil reserves and about 1 percent of natural gas reserves. It accounts for 4.5 percent of world petroleum production.

At the end of 1994, Mexico had total proven reserves of oil and gas of 63 billion barrels, the eighth largest in the world. This figure does not include some recent finds in the Bay of Campeche which, if proven, could increase reserves by as much as 50 percent. Mexico's proven reserves are about double those of the U.S., but less than those of Venezuela, the other major oil producer in the hemisphere.

Petróleos Mexicanos (PEMEX), the national oil company, is the only producer of oil and gas in Mexico. By law, it has exclusive authority for all exploration, production and distribution of petroleum products.

In spite of the nation's immense resources, regulated prices and protectionist procurement policies have stood in the way of achieving world levels of efficiency. Beginning in 1988, the government introduced sweeping economic reforms, and established a liberalized commercial environment. In response, *PEMEX* has launched a massive modernization program, much of it based on imported technology.

Mexico's petroleum industry has long been one of the least efficient in the world. At one point, labour requirements per barrel of output were four times as high as those in Venezuela. A complex and highly-politicized decision-making structure and a powerful and corrupt trade union have helped to perpetuate this situation. In spite of these obstacles, the Salinas administration ordered a modernization program in 1992, and labour requirements have been cut sharply. The work-force has been cut from 215,000 to less than 110,000 over the last three years with no loss of production.

The need to modernize is compounded by demands that *PEMEX* reduce its impact on the environ-

ment. The effort to simultaneously expand, modernize and clean up the energy sector, will create substantial demands for imported equipment, supplies and services. The company will spend more than US \$20 billion on modernization and expansion over the next few years.

THE ROLE OF IMPORTS

Mexico is a net exporter of energy. It exports close to half of its crude oil, and also substantial amounts of electricity. Its imports of refined petroleum products are relatively small and irregular, and largely offset by exports of similar products.

Nonetheless, a large proportion of the equipment used in Mexico's oil and gas sector is imported. Import penetration in most product categories exceeds 50 percent. The average annual growth rate of imports over the next five to ten years was forecast by the U.S. Department of Commerce at 10 to 20 percent, before the December 1994 devaluation.

More than 70 percent of imported oil and gas production equipment originates in the United States. Other important suppliers include Japan, Germany and Italy. Canada is not presently a major supplier, but there is considerable potential for an increased market share.

Officials of *Petróleos Mexicanos (PEMEX)*, the national oil company, interviewed for this study said that Canadian firms are highly regarded in Mexico. There is a general preference for dealing with Canadians over Americans, based on a perception that Canadians share many of the same problems. Nonetheless, given that most services and equipment has traditionally come from the U.S., Canadian firms in this area are not well-known.

PEMEX CORPORATIVO

Petróleos Mexicanos (PEMEX) is the national oil company responsible for the exploration, development, refining, transportation, storage, distribution and marketing of crude oil, natural gas and oil products. It also has exclusive jurisdiction over basic petrochemicals. *PEMEX* is the largest company in Mexico and one of the world's largest corporations.

PEMEX Corporativo, the central corporation, is governed by an eleven-member Board of Directors which includes six government representatives appointed by the president and five representatives of the Petroleum Workers Union.

PEMEX has long been criticized for inefficiency, corruption and environmental damage. The Mexican government responded in 1992 by restructuring *PEMEX* into four semi-autonomous subsidiaries:

- *PEMEX Exploración y Producción*, Exploration and Production
- *PEMEX Refinación*, Refinery
- *PEMEX Gas y Petroquímica Básica*, Gas and Basic Petrochemicals
- *PEMEX Petroquímica*, Petrochemicals

Two other "entities", *PEMEX Internacional* and the *Instituto Mexicano del Petróleo (IMP)*, Mexican Petroleum Institute, also fall under the *PEMEX* umbrella, but are not full operating divisions.

As part of the reorganization, the head office of *PEMEX Petroquímica* was moved to Coatzacoalcos, Veracruz, and the *PEMEX Exploración y Producción* headquarters has been moved to Villahermosa, Tabasco.

This decentralization means that Canadian companies wishing to do business with *PEMEX* now must deal with several distinct entities. But

each now has more autonomy and should be more capable of making effective procurement decisions.

PEMEX is a major contributor to Mexico's export earnings, bringing in some US \$7 billion in 1994. Crude oil exports averaged 1.3 million barrels per day, while 1.4 million barrels were sold domestically.

PEMEX EXPLORACIÓN Y PRODUCCIÓN

Exploration and production of Mexico's petroleum reserves is the responsibility of *PEMEX Exploración y Producción*. Primary production is by far the most important activity within *Petróleos Mexicanos (PEMEX)*, the national oil company, accounting for more than half of consolidated revenues, and almost all of the profit in 1994. This subsidiary earned pre-tax profits of N \$43 billion pesos in 1994. This performance reflects the fact that inefficient operations have greater consequences in the manufacture of higher value-added products. Also, the divisions producing final products bear the brunt of government-imposed price controls. In contrast, half of crude oil production is sold abroad at world prices.

Exploration

Exploration activities by *PEMEX* have fallen off in recent years. The number of wells drilled fell steadily from 171 in 1991 to 72 in 1994. The depth of exploratory wells typically exceeds

4,000 metres. Recently *PEMEX* has been awarding drilling contracts to private companies. These have included both Mexican and American corporations as well as some joint ventures.

Oil Production

Oil production has remained fairly constant in recent years. Production in 1994 averaged 2.68 million barrels per day, almost precisely the same level as a decade earlier. Production has been maintained largely on the strength of the *Cantarell* project in the Gulf of Campeche, which produces more than one million barrels per day of heavy crude oil.

Mexico produces three grades of crude oil: *Istmo*, *Maya*, and *Olmecca*. Domestic consumption is mostly *Istmo* grade. In May 1994, *PEMEX* was considering marketing a new grade of oil that would compete with Arabian light crude. The new grade, called *Pijije*, is being extracted at Dos Bocas, where the extra-light *Olmecca* grade is also extracted.

In March 1995, the *Secretaría de Energía (SE)*, Secretariat of Energy, announced plans for *PEMEX* to increase crude oil production by about 100,000 barrels per day, to generate additional revenues for the government to deal with the country's economic crisis. Petroleum exports in the first four months of 1995 were up by 29.3 percent to US \$2.1 billion, compared to the same period in 1994.

PEMEX Oil Production by Type, 1994

Name	Description	Degrees API	Sulphur by weight (percentage)	Share of production by volume (percentage)
Maya	heavy	22.0	3.3	47
Istmo	light	33.6	1.3	36
Olmecca	very light	39.3	0.8	17

Source: *Petróleos Mexicanos (PEMEX)*, *Memoria de Labores*, 1994.

Gas Production

Mexico had proven natural gas reserves of 68.4 trillion cubic feet at the beginning of 1995. This is comparable to Canadian reserves and the second largest in Latin America after those of Venezuela. Output in 1994 was 3.6 billion cubic feet per day, about the same as the year before. Almost 86 percent of this production was associated gas.

PEMEX REFINACIÓN

PEMEX Refinación is responsible for the manufacture of refined petroleum products and of basic petroleum derivatives. It is also responsible for the distribution of petroleum products, including the *Petróleos Mexicanos (PEMEX)*, the national oil company, national chain of gas stations. It operates a network of oil pipelines.

Roughly half of the nation's crude oil output is refined into finished products and sold domestically. In 1993 *PEMEX* had a capacity for 1.5 million barrels of crude components made by atmospheric distillation, plus 1.4 million barrels of refined products.

In 1994, this subsidiary had an operating loss of N \$1.7 billion pesos. The loss is attributed to low prices for refined products combined with the company's inability to meet domestic demands for some products, especially unleaded gasoline. Domestic prices are set by the government.

Until recently, *PEMEX* operated seven refineries, but the Azcapotzalco refinery in Mexico City was shut down in 1991 to reduce air pollution. The output of this plant will be replaced by a new refinery to be built by a Japanese consortium at Salina Cruz, Oaxaca. It will process heavy Maya crude exclusively which will allow other facilities to focus on other grades. *PEMEX Refinación* has been

PEMEX Pipelines, January 1995

Type	Number	Kilometres
Gas	108	12,582
Crude oil	55	5,649
Refined products	144	11,755
Petrochemicals	88	1,569
Fuel oil	30	247
Collection	-	28,651
Total	425	60,453

Source: United States Department of Commerce, 1994.

spending heavily on projects to reduce the sulphur content in its fuel products.

PEMEX Refinación has announced plans for major expansions of its plants at Salina Cruz and Tula. The refinery at Salina Cruz has received significant investment recently to increase production of unleaded gasoline and MTBE.

Since April 1994, *PEMEX* and Shell jointly operate a refinery in Deer Park, Texas that refines heavy Maya crude and returns half the product to Mexico in the form of unleaded gasoline.

Transportation and Distribution

PEMEX Refinación is also responsible for the transportation and distribution of both crude oil and refined products. The company has a fleet of 35 tanker ships, with a capacity of 7.5 million barrels. In 1994, *PEMEX* was seeking to lease two more tankers. *PEMEX* also operates more than five thousand tank trucks and almost 900 train tank cars.

Most of Mexico's oil is moved by pipeline. *PEMEX* operates more than 60,000 kilometres of pipelines. Gas pipelines are operated by the *Subdirección de Ductos de PEMEX Gas y Petroquímica Básica*, and oil pipelines are handled by the *Subdirección de Distribución of PEMEX Refinación*.

In 1994, three new pipelines were built: Salamanca-Guadalajara, Salamanca-Tula, and Ciudad Juárez-El Paso. Several more pipeline projects are planned for the near future.

Storage

PEMEX has recently been constructing salt caverns for oil storage. In December 1993, *PEMEX Refinación* issued requests for bids for the private sector to construct four storage and distribution terminals for petroleum products. *PEMEX* would lease the terminals for 15 years, with a 10 year renewal or purchase option.

PEMEX GAS Y PETROQUÍMICA BÁSICA

PEMEX Gas y Petroquímica Básica is responsible for the processing and distribution of natural gas, gas liquids and sulfur, as well as basic petrochemicals. It also operates the gas pipelines of *Petróleos Mexicanos (PEMEX)*, the national oil company. During 1994, this subsidiary increased profits before taxes to N \$1.4 billion pesos, a substantial increase from the year before. Company officials attribute the improvement to a large rise in sales to the public. The proportion of sales to other *PEMEX* subsidiaries fell from 51 percent in 1993 to 40 percent in 1994.

For many years, Mexican officials viewed natural gas as a by-product of crude oil extraction and not as an energy resource in its own right. As a result, a large proportion of gas was wasted. Recently, Mexico has begun to utilize its natural gas more effectively, but it remains seriously underutilized, largely because of an inadequate storage and distribution infrastructure. This has prevented customers from taking advantage of government incentives for switching to natural gas

According to *PEMEX* officials, the use of natural gas in the power generation industry is expected to grow 5 to 6 percent annually until the year 2000. To meet this increased demand, *PEMEX* will need to invest US \$5 billion. In 1994, two major gas production projects were underway and are to be completed in 1995. The first, *Emu*, consists of five wells and two pipelines and will cost N \$51 million pesos. The second, *Merced*, consists of seven wells and three pipelines and will cost N \$107 million pesos. Another exploration project, which was to be located in Burgos, Nuevo León, has been postponed.

PEMEX Gas y Petroquímica Básica also plans to develop industrial plants to process 73 thousand barrels per day of condensates, 36 thousand barrels per day of liquid petroleum gas, 52 million cubic feet of combustibles and 16,000 barrels of naphthas. By law, the company has a monopoly over the production of petrochemicals classified as "basic".

Currently, natural gas imports and exports are roughly in balance, but analysts predict that increased demand for natural gas and stagnant investment will force Mexico to be a net importer in the future. In August 1993, AMOCO began to sell 35 million cubic feet per day of natural gas to Mexico under a 14 month contract. In December 1993, *PEMEX* began to sell natural gas to CONOCO, with a volume of 20 million cubic feet per day. In 1994, *PEMEX* and AMOCO bought natural gas from each other according to their needs.

PEMEX PETROQUÍMICA

PEMEX Petroquímica is responsible for the production of petrochemical products that are not considered part of the basic petroleum industry. It was created specifically to handle the products that are open to private competition.

This subsidiary has had difficulty rationalizing its operations to accommodate liberalized trade policies. The list of basic petrochemicals reserved for the state was reduced from 20 products in 1989 to eight in 1992. The company has also been burdened with regulated prices that are in effect consumer subsidies. It lost N \$738 million pesos in 1993, but in 1994 it managed to earn a small profit of N \$202 million pesos on a volume of more than N \$7 billion pesos.

Petróleos Mexicanos (PEMEX), the national oil company, announced its intention to begin to withdraw from

the secondary petrochemical business in early 1993. Officials said it would close some plants and privatize others. This process was delayed because of low world prices for petrochemicals. Instead of selling the plants at fire sale prices when privatization was first announced, some were simply shut down to wait for the market to rebound. The privatization plan has now been re-activated and as of early 1995, the government was trying to privatize 61 petrochemical plants.

PEMEX INTERNATIONAL

Petróleos Mexicanos Internacional (PMI), is responsible for international trade of petroleum products. It is owned 85 percent by *Petróleos Mexicanos (PEMEX)*, the national oil company, 7.5 percent by *Nacional Financiera (NAFIN)*, National Development Bank, and 7.5 percent by the *Banco Nacional de México (BANAMEX)*. It operates independently of the four main *PEMEX* subsidiaries. Formerly, it was responsible for international procurements, but that responsibility is now being shifted to the subsidiaries. *PMI* specializes in trading crude and refined petroleum products. It negotiates all international agreements and is responsible for building strategic alliances.

COMPETITORS

Imports of commodities are limited mainly to the northern border areas. There is little infrastructure for transporting commodities into central Mexico. Most petroleum-based commodities are supplied to *Petróleos Mexicanos (PEMEX)*, the national oil company, by companies located in Texas and California. The United States also dominates the market for equipment and services. Some of the most active companies in commodities, equipment and services, include:

Petrochemicals Classified as "Basic" under Mexican Law

Butane	Ethane
Heptane	Hexane
Naphthas	Penatanes
Propane	Raw materials for carbon black

Source: *Petróleos Mexicanos (PEMEX)*, the national oil company.

- **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.

Secretaría de Energía

The *Secretaría de Energía (SE)* is the government ministry responsible for overseeing Mexican energy resources and the activities of *Petróleos Mexicanos (PEMEX)*, the national oil company. The *SE* was created from parts of the former *Secretaría de Energía, Minas e Industria Paraestatal (SEMIP)*, Secretariat of Energy, Mines and State-owned Industries, in late 1994. The *SE* is in part responsible for granting energy concessions and permits, establishing standards and otherwise overseeing the oil and gas industry. The secretariat is still in the process of re-organizing, and it is unclear how much political clout it will have. The director of *PEMEX* reports directly to President Zedillo and has traditionally had a great deal of control over petroleum issues.

Federal Energy Regulatory Commission

The *Comisión Nacional Reguladora de Energía (CNR)*, Federal Energy Regulatory Commission, was created in 1993 to implement changes pertaining to private sector investment in Mexico's electricity sector. It falls under the *SE* and is expected to be in charge of determining pricing policies for privately-developed pipelines.

Secretaría del Medio Ambiente, Recursos Naturales y Pesca

A new secretariat called *Secretaría del Medio Ambiente, Recursos Naturales y Pesca (SEMARNAP)*, Secretariat of the Environment, Natural Resources and Fisheries, has overall responsibility for the environment, including regulation and enforcement.

Under this secretariat, there are two entities that set and enforce environmental standards. The *Instituto Nacional de Ecología (INE)*, National Institute of Ecology, formulates environmental norms, while the *Procuraduría Federal para la*

Protección del Ambiente (PROFEPA), Federal Office for Environmental Protection, enforces the norms and supervises remediation.

A new *Norma Oficial Mexicana*, official standard, *NOM-086-ECOL-1994* was recently enacted to promote clean fuels such as natural gas. Specific regulations to require cleaner fuels will take effect in 1998. New standards for the petrochemical industry are also under development, covering a wide variety of environmental issues. Although specific information has not yet been published, several government entities will consult with *SEMARNAP* in the development of these standards.

MARKET ENTRY STRATEGIES

Most Canadian firms that have successfully entered the Mexican market have done so by forming partnerships or joint ventures with local companies. Typically, the Canadian partner provides technology, business expertise and sometimes financing. In return, the Mexican partner contributes market access and an understanding of the Mexican industry. This is especially important when dealing with *Petróleos Mexicanos (PEMEX)*, the national oil company, where personal connections play a large role.

Mexican companies are especially interested in partnerships and joint ventures with foreign companies which can help them move into the areas that *PEMEX* is now privatizing or contracting out. This includes drilling, exploration and pipelines as well as petrochemicals.

PEMEX Procurements

Mexican *paraestatales*, as state-owned companies are known, are required to arrange their procurements in accordance with the *Ley de Adquisiciones*, Purchasing Law.

Recent policy changes have given the *paraestatales* more autonomy in their selection of suppliers, and prior federal registration is no longer required.

Although each of the four major *PEMEX* divisions develops its own procurement processes, supplier registration is centralized with *PEMEX Corporativo*. Public tender announcements are published by the operating subsidiaries in major daily newspapers and bid packages are available to the public for a fee, typically N \$1,000 pesos.

SUPPLIER REGISTRATION

PEMEX carries out its pre-registration procedures using a suppliers catalogue. To be eligible, foreign suppliers must submit an application form, along with a variety of documents including financial statements and certification that the company is properly incorporated. Foreign companies must have a representative in Mexico who is empowered to act for it. Contact information is provided at the end of this summary.

THE PROCUREMENT PROCESS

A *PEMEX* procurement begins when a need is specified by one of the company's production centres. This is channelled through technical advisors and eventually reaches procurement officials. The procurement is then classified as a direct purchase from a sole supplier, a three-supplier notice or a public tender. A tender is open to foreign suppliers only if it is designated international, but Canadian companies can participate in national tenders through Mexican partners.

Financing

PEMEX has access to a variety of foreign credit facilities including Canada's Export Development Corporation (EDC). In 1991, *PEMEX* signed a C \$500 million line of credit agreement with the EDC for the pur-

chases of Canadian goods and services through 1994. This agreement was recently renewed, although on a smaller scale than in years before.

The economic crisis has accelerated a trend towards build-operate-transfer (BOT) financing as well as leasing for PEMEX purchases. This means that Canadian companies without access to major financing will find it more difficult to sell to PEMEX than in the past, when many purchases were in cash.

Trade Shows

Because the sector is controlled by one firm, there are no big oil and gas trade shows in Mexico. The main alternatives are the annual professional congresses, such as the petrochemical engineers show, EXPETRO.

The first national conference of the *Asociación Mexicana para la Economía Energética* took place in Mexico City in early September 1995.

Petróleo y Petroquímica '95, took place on October 23-27 at the World Trade Centre in Mexico City. It is organized by *E.J. Krause de México*.

KEY CONTACTS

CANADA

Canadian Government

Department of Foreign Affairs and International Trade (DFAIT)

DFAIT is the Canadian federal government department most directly responsible for trade development. The **InfoCentre** should be the first contact point for advice on how to start exporting. It provides information on export-related programs and services, acts as an entry point to DFAIT's trade information network, and can provide copies of specialized export publications and market information to interested companies.

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Commercial Division of the Embassy of Canada in Mexico can provide vital assistance to Canadians venturing into the Mexican market. The trade commissioners are well-informed about the market and will respond in whatever measures possible to support a Canadian firm's presence in Mexico.

Note: to telephone Mexico City, dial: 011-52-5 before the number shown. For contacts in other cities in Mexico, consult the international code listing at the front of your local telephone directory for the appropriate regional codes.

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International Trade Centres have been established across the country as a convenient point of contact to support the exporting efforts of Canadian firms. The centres operate under the guidance of DFAIT and all have resident trade commissioners. They help companies determine whether or not they are ready to export, assist firms with market research and planning, provide access to government programs designed to promote exports, and arrange for assistance from the trade commissioners in Ottawa and trade officers abroad. Contact the International Trade Centre nearest you.

World Information Network for Exports (WIN Exports) is a computer-based information system designed by DFAIT to help Canada's trade development officers abroad match foreign needs to Canadian capabilities. It provides users with information on the capabilities, experience and interests of more than 23,000 Canadian exporters. To register on WIN Exports, call (613) 996-5701, or fax 1-800-667-3802 or (613) 944-1078.

International financial institutions, including the World Bank and the Inter-American Development Bank, provide funds to Mexico for a wide variety of specific projects. DFAIT helps Canadian exporters interested in pursuing multilateral business opportunities that are financed by international financing institutions. For further information, call (613) 995-7251, or fax (613) 943-1100.

Market Intelligence Service (MIS) provides Canadian businesses with detailed market information on a product-specific basis. The service assists Canadian companies in the exploitation of domestic, export, technology transfer and new manufacturing investment opportunities. MIS is offered free of charge by fax, letter or telephone. For more information, call (613) 954-5031, or fax (613) 954-2340.

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18th floor
Ottawa, ON K1A 0E4
Tel.: (613) 996-3927
Fax: (613) 995-5576

Canadian International Development Agency (CIDA)

CIDA is an important possible source of financing for Canadian ventures in Mexico. A special fund is available through the CIDA under the Industrial Cooperation Program (CIDA/INC). This program provides financial contributions to stimulate Canadian private-sector involvement in developing countries by supporting long-term business relationships such as joint ventures and licensing arrangements. For more information, call (819) 997-7905/7906, or fax (819) 953-5024.

Export Development Corporation (EDC)

EDC is a customer-driven, financial services corporation dedicated to helping Canadian businesses succeed in the global marketplace. EDC provides a wide range of risk management services, including insurance, financing and guarantees to Canadian exporters and their customers around the world.

EDC has established relationships with leading commercial and public sector institutions in Mexico and Latin America. Exporters can call (613) 598-2860 for more information. Smaller exporters, with annual export sales under C \$1 million, should call the Emerging Exporter Team at 1-800-850-9626. Exporters in the information technology industry can call EDC's Information Technologies Team at (613) 598-6891. For information on the full range of EDC services, call (613) 598-2500, or fax (613) 237-2690.

Revenue Canada

Revenue Canada, Customs Program Branch provides a NAFTA Help Desk telephone line with service available in Spanish. For information, call (613) 941-0965.

SPONSORING ORGANIZATIONS

Baker & McKenzie Barristers & Solicitors

BCE Place
181 Bay Street
Suite 2100
Toronto, ON M5J 2T3
Tel.: (416) 865-6910/6903
Fax: (416) 863-6275

Business and Professional Associations

Canadian Petroleum Association

150-6th Avenue SW
Calgary, AB T2P 3Y7
Tel.: (403) 269-6721
Fax: (403) 261-4622

Canadian Petroleum Equipment Manufacturers' Association

116 Albert Street
Suite 701
Ottawa, ON K1P 5G3
Tel.: (613) 232-7213
Fax: (613) 232-7381

Canadian Council for the Americas

Executive Offices
360 Bay Street
Suite 300
Toronto, ON M5H 2V6
Tel.: (416) 367-4313
Fax: (416) 367-5460

Canadian Exporters' Association

99 Bank Street
Suite 250
Ottawa, ON K1P 6B9
Tel.: (613) 238-8888
Fax: (613) 563-9218

Canadian Manufacturers' Association

75 International Boulevard
Fourth Floor
Etobicoke, ON M9W 6L9
Tel.: (416) 798-8000
Fax: (416) 798-8050

The Canadian Chamber of Commerce

55 Metcalfe Street
Suite 1160
Ottawa, ON K1P 6N4
Tel.: (613) 238-4000
Fax: (613) 238-7643

Forum for International Trade and Training Inc.

155 Queen Street
Suite 608
Ottawa, ON K1P 6L1
Tel.: (613) 230-3553
Fax: (613) 230-6808

Language Information Centre

240 Sparks Street RPO
Box 55011
Ottawa, ON K1P 1A1
Tel.: (613) 523-3510

Open Bidding Service

P.O. Box 22011
Ottawa, ON K1V 0W2
Tel.: 1-800-361-4637 or
(613) 737-3374

Canadian Standards Association

178 Rexdale Blvd.
Rexdale, ON M9W 1R3
Tel.: (416) 747-4000
Fax: (416) 747-4149

Standards Council of Canada

45 O'Connor Street
Suite 1200
Ottawa, ON K1P 6N7
Tel.: (613) 238-3222
Fax: (613) 995-4564

Mexican Embassy in Canada

Embassy of Mexico
45 O'Connor Street
Suite 1500
Ottawa, ON K1P 1A4
Tel.: (613) 233-8988
Fax: (613) 235-9123



MEXICO

Government Departments

Secretariat of Commerce and Industrial Development

Secretaría de Comercio y Fomento Industrial (SECOFI)
Sub-Secretaría de Comercio Exterior e Inversión Extranjera
Insurgentes Sur No. 1940 – P.H.
Col. Florida
01030 México, D.F.
México
Tel.: 229-6560/6561/6100
Fax: 229-6568

Secretariat of Commerce and Industrial Development

Bureau of Standards
Secretaría de Comercio y Fomento Industrial (SECOFI)
Dirección General de Normas
Av. Puente de Tecamachalco No. 6
Col. Lomas de Tecamachalco
53950 Tecamachalco
Estado de México
México
Tel.: 729-9300
Fax: 729-9484

Secretariat of Energy

Secretaría de Energía (SE)
Insurgentes Sur No. 552
Col. Roma Sur
06769 México, D.F.
México
Tel.: 564-9789/9790,
584-4304/2962
Fax: 564-9769, 574-3396

Secretariat of Energy

Secretaría de Energía
Dirección General de Asuntos Internacionales
Insurgentes Sur No. 552, Piso 7
Col. Roma
06769 México, D.F.
México
Tel.: 553-3374
Fax: 553-9355

National Institute of Ecology

Instituto Nacional de Ecología (INECO)
Río Elba No. 20, Piso 16
Col. Cuauhtémoc
06500 México, D.F.
México
Tel.: 553-9647, 553-9538
Fax: 286-6625

Federal Office for Environmental Protection

Procuraduría Federal para la Protección del Ambiente (PROFEPA)
Insurgentes Sur No. 1480
Col. Barrio Actipan
03230 México, D.F.
México
Tel.: 524-2124/5477
Fax: 534-7559

Mexican Petroleum Institute

Instituto Mexicano del Petróleo (IMP)
Eje Central Norte Lázaro
Cárdenas No. 152
Col. San Bartolo
07730 México, D.F.
México
Tel.: 368-5911/9333
Fax: 368-4323/9112

Technical Secretariat of the Mexican Petrochemicals Commission

Secretaría Técnica de la Comisión Nacional de Petróleo, Gas y Petroquímica
Francisco Márquez No. 160-4
Col. Condesa
06140 México, D.F.
México
Tel.: 553-9099/9034
Fax: 553-9108/09

National Oil Company

Petróleos Mexicanos (PEMEX)
Av. Marina Nacional No. 329
Col. Huasteca
11311 México, D.F.
México
Tel.: 725-2200, 250-2611
Fax: 625-4385

Houston Purchasing Offices

Petróleos Mexicanos (PEMEX)
3600 South Gessner, Suite 100
Houston, TX 77065
U.S.A.
Tel.: (713) 978-6269
Fax: (713) 978-6298

National Oil Company

Petróleos Mexicanos (PEMEX), Exploración y Producción
Av. Marina Nacional No. 329
Torre Ejecutiva, Piso 41
Col. Huasteca
11311 México, D.F.
México
Tel.: 531-6200, 250-7723
Fax: 254-4635

National Oil Company

Petróleos Mexicanos (PEMEX), Refinación
Av. Marina Nacional No. 329
Torre Ejecutiva, Piso 40
Col. Huasteca
11311 México, D.F.
México
Tel.: 545-1463/9022
Fax: 254-2679

National Oil Company

Petróleos Mexicanos (PEMEX), Gas y Petroquímica Básica
Av. Marina Nacional No. 329
Torre Ejecutiva, Piso 39
Col. Huasteca
11311 México, D.F.
México
Tel.: 254-3823/4567
Fax: 545-8091

National Oil Company

Petróleos Mexicanos (PEMEX), Petroquímica
Av. Marina Nacional No. 329
Torre Ejecutiva, Piso 35
Col. Huasteca
11311 México, D.F.
México
Tel.: 250-8919/554-0935
Fax: 254-2672

National Development Bank
Nacional Financiera (NAFIN)
Insurgentes Sur No. 1971, Piso 13
Col. Guadalupe Inn
01020 México, D.F.
México
Tel.: 325-6000, 661-7165/4044
Fax: 325-6042, 661-8418

**Business and Professional
Associations in Mexico**

**Mexican Association of Petroleum
Engineers**
*Asociación Mexicana de Ingenieros
Petrologos A.C.*
Palacio de Minería
Tacuba No. 5
Col. Centro
06700 México, D.F.
México
Tel.: 254-0428, 512-3747
Fax: 531-1561

**The Canadian Chamber of
Commerce in Mexico**
*Cámara de Comercio de Canadá en
México*
c/o Bombardier
Paseo de la Reforma No. 369
Mezzanine
Col. Juárez
06500 México, D.F.
México
Tel.: 729-9903, 207-2400
Fax: 208-1592

**National Chamber of Commerce of
Mexico City**
*Cámara Nacional de Comercio de la
Ciudad de México (CANACO)*
Paseo de la Reforma No. 42
Col. Juárez
06030 México, D.F.
México
Tel.: 592-2677/2665
Fax: 705-7412, 592-3571

**Confederation of Industrial
Chambers**
*Confederación de Cámaras
Industriales (CONCAMIN)*
Manuel María Contreras No. 133
Piso 1
Col. Cuauhtémoc
06597 México, D.F.
México
Tel.: 592-0529, 566-7822
Fax: 535-6871

**Mexican Confederation of
National Chambers of Commerce**
*Confederación de Cámaras
Nacionales de Comercio
(CONCANACO)*
Balderas No. 144, Piso 3
Col. Centro
06079 México, D.F.
México
Tel.: 709-1559
Fax: 709-1152

**National Association of Importers
and Exporters of the Mexican
Republic**
*Asociación Nacional de
Importadores y Exportadores de la
República Mexicana (ANIERM)*
Monterrey No. 130
Col. Roma
06700 México, D.F.
México
Tel.: 564-8618/9218
Fax: 584-5317

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Carretera Monterrey – Saltillo
Kilómetro No. 339
Apartado Postal 2933
66350 Santa Catarina, Nuevo León
México
Tel.: 336-3030
Fax: 336-2964
**Houston Purchasing Office –
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Tel.: (713) 820-3300

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