

Integration of U.S. and Mexico Gas and Power Markets

Presented by

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King & Spalding Overview

- ❖ Founded in 1885
- ❖ Global 50 law firm with more than 900 lawyers
- ❖ 18 offices across the United States, Europe, the Middle East and Asia
- ❖ Conduct business in more than 100 countries across six continents



- ❖ Specialists in gas and power internationally
- ❖ *Latin Lawyer* top-ranked firm 15 years running

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Summary of Today's Topics

- ❖ U.S.-Mexico Gas Integration
 - Mexico Gas Transport Infrastructure: Metrics and Maps
 - U.S. Pipelines and Projects in the Supply Path
 - The New Mexican Gas Regulations
 - Toward Market Opening
 - *Piedras en el Camino?* Some Issues
- ❖ U.S.-Mexico Electricity Integration
 - Where Things Stand
 - Status of the Ongoing Restructuring of the Sector
 - Where is Mexico in Integrating its Electric Grid with the North American Grid?
- ❖ A Few Concluding Observations

Mexico Gas Network Metrics

Mexico Natural Gas Market— a few measures:*

- ❖ Mexico gas market – Mexican Energy Secretariat (SENER) estimates:
 - Mexican demand: 6 bcf/d in 2016, growing to 7.3 bcf/d in 2019
 - Mexican production falling: 24% decline since 2010, to 2.6 bcf/d; production expected to be 2.46 bcf/day in 2019
 - U.S. exports to Mexico: 3.5 bcf/day; by 2019 almost 5 bcf/d
- ❖ Since reform began, 2,500 miles of gas pipelines proposed, 1500 committed to, 800 built; investment amount over US \$12 billion
- ❖ Gas-fired generation planned for 2020: 19.2 GW!

*Source: <http://www.gob.mx/sener/articulos/la-revision-anual-del-plan-quinquenal-de-expansion-del-sistema-de-transporte-y-almacenamiento-nacional-integrado-de-gas-natural-2015-2019?idiom=es>

Mexico Gas Network Metrics

Production of Natural Gas:

- ❖ During May of 2016, gross production of natural gas in Mexico was 5,841.30 MMcf/day, which is 6.6% below the amount produced as of May 2015 (quantity includes 934.40 MMcf/day of nitrogen through secondary recovery operations at Cantarell)
- ❖ The quantity of natural gas recovered and available for use was 4,254.90 MMcf/day, which is 12.2% below the amount recovered and made available for use as of May, 2015



Source:
Prontuario del Sector Energético,
Secretaría de Energía, May 2016

Mexico Gas Network Metrics

Production and Sales of Dry Gas:

- ❖ Production of dry gas averaged 3,077.40 MMcf/day, which was 7.2% lower than the average as of May 2015
- ❖ Sales of dry gas to the electricity generation sector were down 4.5% relative to sales as of May 2015
- ❖ As of May 2016, the volume of internal sales of dry gas averaged 3,267.70 MMcf/day

Type of Purchaser	% of Total Sales	Sales in 2016 vs 2015
Electric Sector	44.4%	Up 4.5%
Industrial Sector	30.5%	Up 16.7%
Distributors	12.1%	Up 7.6%
Marketers	13.0%	Up 31.4%

Source: Prontuario del Sector Energético, Secretaría de Energía, May 2016

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"The Single North American Gas and Power Market?"