MIRANDA INTELLIGENCE

Mexico Energy Chatter

November 26, 2025

There's a not-so-great present in plastics: Mexican petrochem producers endure a prolonged downturn

This newsletter's edition moves downstream to examine how Mexican petrochemical players Pemex Petroquímica, Alpek, Orbia and Braskem Idesa (Bakide) are confronting their worst crisis in years, in a downcycle that has lasted far longer than the industry expected – and how that stress is spilling over to lenders like Inbursa.

The steep decline in global plastics prices has hit producers worldwide, with Asian competitors cushioned by state support and exporting at levels that have pushed some Western plants out of business (including ExxonMobil's decision to close its Scottish cracker in early 2026). In Mexico, the pain is amplified by a nationalist energy policy and the high cost, or outright scarcity, of inputs such as ethane, which has deepened long-standing structural weaknesses across the domestic petrochemical chain.

As usual, the story began with a boom. The Russia-Ukraine conflict in 2022 sent polyethylene and other feedstocks soaring on fears of supply disruption, particularly in Europe's Russian-dependent market. Alpek and Orbia benefited in that window, especially in the Americas, thanks to access to cheap U.S. feedstock. Braskem Idesa also enjoyed some upside but was still digesting its political crisis with the López Obrador administration, which forced the JV to accept a cut in Pemex ethane deliveries from the original 66,000 bpd to 30,000 bpd, higher prices for its ethane supply than originally contracted, and the obligation to build and finance its own import terminal.

The new 50% Bakide-owned TQPM maritime terminal is now finally operating. Ethane deliveries began in September 2025 at 11.3 kbpd, with long-term capacity of 80 kbpd, which should allow the Coatzacoalcos complex to run at full capacity. But this operational fix arrives late in the cycle. Braskem Idesa is burdened with some US$2 bn of net debt and leverage of roughly 9.1x net debt/EBITDA, while its Brazilian parent faces its own restructuring pressures. Fitch has already cut Bakide to 'CC' after a missed coupon, putting a formal restructuring on the table.

Alpek is dealing with the same structural forces: global overcapacity, cheap exports from the U.S. and China and lower ocean freight rates squeezing margins. Comparable EBITDA in 3Q25 was US$137 mn, some 10% below expectations, and management cut 2025 guidance again to US$500 mn (from US$525–575 mn). Leverage has climbed to 4.0x and the company has suspended 2025 dividends to preserve cash as S&P notes EBITDA margins have fallen from 9.2% to 6.7%, underscoring the erosion of its historic cost advantage.

Orbia is leaning hard into efficiency to offset the cyclical weakness. Its Polymer Solutions division still suffers from low resin prices and higher ethane costs, but group-wide savings reached US$169 mn by 3Q25 (about 68% of the company's 2027 cost-reduction target) supported by non-core asset sales and operational streamlining. Management expects net leverage to fall to 3.2x by end-2025 and 2.7–2.8x by end-2026, even as Fitch cut its rating to 'BBB-' on the expectation that leverage will remain elevated through 2027.

A critical part of the broader picture is the structural deterioration of Pemex's petrochemical division. According to Pemex's 20-F filings and quarterly reports, petrochemical output has fallen more than 30% over the past five years as aging plants, chronic underinvestment, and unreliable feedstock supply have crippled operations. Utilization at key complexes such as Cangrejera and Morelos routinely sits below 40%, forcing Pemex to import increasing volumes of ethane and other inputs at a premium. Throughout 2024–2025 news reports have highlighted repeated unplanned shutdowns, declining export volumes, and negative EBITDA in the petrochemicals segment. The division has also become heavily dependent on Pemex's refining system for feedstock, even as refineries struggle with low throughput and frequent outages. This systemic weakness reduces domestic supply, raises costs for private petrochemical players, and deepens Mexico's dependence on U.S. feedstocks — all of which magnify the current industry downturn

Common threads run through these cases: a prolonged low-price environment, Chinese and Middle Eastern overcapacity, and political noise around energy policy and trade. Antidumping probes and reciprocal tariffs, such as the U.S. move in September 2025 to impose tariffs on PET and recycled PET, add further uncertainty just as companies are trying to repair balance sheets.

The stress is not confined to producers. Grupo Financiero Inbursa is now deeply tied into this story through its exposure to Grupo Idesa and thus Braskem Idesa (75% owned by Braskem and 25% owned by Idesa). What began as a traditional lender relationship with Idesa turned into ownership after a 2022 debt reprofiling, with Inbursa converting credit into equity and lifting its direct and indirect stake in Grupo Idesa to an estimated 90% or more. In addition, Inbursa has loans to Braskem Idesa and is reported to be a large owner of its international bonds. Combined equity and loan exposure to Idesa and Bakide is estimated by some at over US$1 bn, depending on how equity is valued and at what price one takes the debt. That has flipped the group's "other operating income" line from a positive historic 10% or so of pre-tax profit into a drag: in 3Q25, Inbursa recorded an MXN 163 mn loss on this line, likely largely tied to the deterioration of these petrochemical investments.

The impact is easily manageable relative to Inbursa's size and strong capital ratios, but it adds volatility just as investors were rewarding the bank for more stable, NII-driven earnings. Some in the market now speculate that Carlos Slim and his financial arm may seek to use their equity stake and exposure to Braskem Idesa's bonds and loans to eventually take control of the state-of-the-art Etileno XXI asset (the polyethylene plant built at US$5.2 bn cost back in 2016), following a familiar playbook of Mexico's richest man, stepping in and taking control of distressed assets when leverage and market pessimism are at their peak. For now, however, he is sitting on steep losses.

By late 2025, the petrochemical cycle shows only modest signs of stabilization, and rating agencies broadly expect conditions to remain difficult for several years. For Alpek, Orbia and Braskem Idesa, and for creditors like Inbursa, the challenge is not only to survive the downcycle, but to adapt to a reshaped global market where cheap Asian capacity, trade frictions, and domestic policy choices will define who emerges stronger on the other side.

In other energy news…

— President Claudia Sheinbaum acknowledged that fuel theft remains a risk for Pemex's sales but rejected claims that the government has failed to curb the crime, following a Pemex filing

to the U.S. SEC warning that huachicol and tax evasion pose significant operational threats. She said she meets weekly with officials from the Energy, Economy and Finance ministries, as well as Pemex, and noted rising gasoline and diesel sales as evidence of progress. She argued that theft from pipelines "has decreased enormously", and that illegal imports have also fallen, pointing to higher legal sales by Pemex and private retailers.

— Pemex's crude oil production fell below 1.3 million barrels per day in August, a sharp decline of almost 30% compared to 2018, and far from the targets set in recent administrations. The company now reports total liquid hydrocarbons (including crude and condensates) at 1.645 million barrels per day, relying on condensate volumes to compensate for reduced crude output.
— Bank of America executives said federal support for Pemex could continue until 2027, as long as the company successfully executes its operational and strategic plan. Roberto Núñez, head of capital markets for BofA Mexico, noted that if Pemex improves efficiency, focuses on profitable businesses and completes its debt restructuring, it could regain financial viability and even return to capital markets, allowing it to finance itself by 2027. He emphasized that "it is crucial that the entire plan moves forward and works well."
— Mexico is now one step away from the lowest rung of investment grade, warned Joydeep Mukherji, managing director of Sovereign Ratings at S&P Global, noting that the country's current BBB rating remains investment grade but is moving uncomfortably close to the threshold. He emphasized that Mexico's ability to maintain its rating depends on containing the fiscal deficit, preventing public debt and interest costs from rising beyond expectations, and avoiding weaker public finances, risks that are amplified by the possibility of larger-than-expected government support for Pemex and CFE. Mukherji also highlighted that setbacks in relations with the U.S. or adverse effects from controversial public policies could pressure the rating further. While Mexico's external accounts remain a positive factor, the sovereign outlook is closely tied to the success of Pemex's 2025–2035 Strategic Plan; failure to improve the company's performance could force the government to inject additional resources. S&P expects the combined debt load of Pemex, the federal government and CFE to remain below 60% of GDP, but deviations from this trajectory would heighten rating concerns.
— President Claudia Sheinbaum acknowledged that the Olmeca Refinery in Dos Bocas experienced a failure in one of its power-generation units, requiring support from CFE to help Pemex stabilize operations. She noted this sort of assistance did not happen in past administrations.
— The National Center for Natural Gas Control (Cenagas) is leading efforts to strengthen Mexico's energy security by developing a new five-year plan that aims to boost the country's strategic natural gas reserves from just 2.5 days' supply (currently reliant on Texas for around 70% of its gas) toward a minimum of 10 days, with a longer-term goal of even greater reserves. The plan outlines storing gas in salt caverns or depleted reservoirs, though final implementation awaits federal approval, and technical groundwork has begun with input from international specialists.
— Technicians and professional staff at Pemex escalated their discontent with a protest outside the company's Executive Tower, where hundreds of members of labor union UNTyPP, supported by other energy-sector unions, blocked Marina Nacional Avenue to demand a 4.5% salary increase and equal treatment to that granted to the main oil workers' union, STPRM. Protesters said roughly 22,000 employees were excluded from the raise awarded in October to unionized personnel and accused Pemex of pushing an illegal restructuring. They also

denounced dismissals, pressure tactics, and forced resignations tied to the 2025–2035 Strategic Plan, which they claim includes more than 3,000 job cuts, 80% of which have already been carried out.

— Raúl Lozano, secretary of the environment in the state of Nuevo León, acknowledged that the Cadereyta refinery will continue polluting for at least two more years, as modernization efforts aimed at reducing emissions will not be completed until then. President Claudia Sheinbaum has shown openness to coordinating with Semarnat, the Energy Ministry and Pemex, said Lozano to the local Congress, noting that two of the refinery's five sulfur-recovery units are currently being renovated, with the full upgrade expected within two years.

— Personnel from Pemex and firefighters discovered illegal fuel extraction at a property in the Miguel Hidalgo borough of Mexico City, where two tunnels were found leading to a Pemex pipeline. Authorities confirmed that the clandestine operation did not pose a risk to neighboring residents, so no evacuations were necessary. Of note, the theft was taking place in a central, densely populated area: the property, just two miles away from the Polanco area, previously functioned as a preschool before being used as a rental home.

— Cuba's crude and fuel imports plunged 35% in the first ten months of 2025 as Mexico and Venezuela sharply reduced shipments, deepening the island's chronic power shortages. Mexican supplies fell 73% to about 5,000 bpd, while Venezuelan shipments, especially fuel oil for power generation, dropped nearly 15% to 27,400 bpd, according to shipping data and PDVSA documents. With both allies facing output constraints and limited export capacity, and Cuba struggling to pay for spot purchases, the country's total fuel inflows fell to roughly 45,400 bpd from 69,400 bpd a year earlier. Russia provided only minimal volumes, and the fuel shortfall has forced widespread daily blackouts, with nearly one-third of Cuba's power generation offline this week due to lack of fuel, lubricants and aging infrastructure.

— Alfredo Elías Ayub passed away last week at 75. Mr. Elías Ayub was one of the most influential figures in Mexico's modern energy sector. Before becoming CEO of CFE, he helped launch long-term investment planning for both Pemex and CFE in the 1990s, and shaped the use of Pidiregas financing to expand strategic infrastructure without immediate public spending. He later led ASA and, in 1999, assumed the helm of CFE, holding the post during three different presidential administrations. During his 12-year tenure, he oversaw a major expansion of installed capacity, the rise of independent power producers, the construction of major hydroelectric plants like El Cajón and La Yesca, and a landmark reform of CFE's pension system. He also played a central role in the 2009 dissolution of Luz y Fuerza del Centro, ensuring an orderly transition of operations to CFE. May he rest in peace.

— In perhaps the most offbeat story in the energy sector this year, Pemex issued a press release clarifying that it, in fact, does not have any involvement with the directors of the Miss Universe pageant. This followed allegations of conflicts of interest, as the event is now partly organized and 50% owned by Raúl Rocha, a controversial Mexican businessman with important contracts with Pemex, and the pageant's winner, Fátima Bosch, is the daughter of a long-standing Pemex employee and advisor. (Pemex set off the media storm when it congratulated Ms. Bosch for her victory, "An accomplishment that reflects strength, professionalism and passion" wrote Pemex's post on X, with a photograph of Ms. Bosch winning the crown, perhaps one of the greatest self-inflicted gaffes in Mexican PR history.) The implication is that Mr. Rocha secured Ms. Bosch's victory in return for favorable Pemex contracts. Ms. Bosch's father has denied granting any contracts to Mr. Rocha but meanwhile Reforma newspaper published a story citing police reports linking Mr. Rocha to illegal fuel and arms smuggling

between Guatemala and Mexico. Before all this, Ms. Bosch briefly emerged as a heroic figure in Mexican and global media after she publicly challenged the Thai pageant official who attempted to stop her from speaking during a livestreamed event. Ms. Bosch insisted on her right to speak, and framed the exchange as a matter of basic respect and dignity. Her victory initially seemed like a triumph for Mexico and women defending their right to speak out against chauvinistic men, but since then, the Pemex links unfolded, certain Miss. Universe judges reported being under pressure by Mr. Rocha to vote for Ms. Bosch, and some of the other beauty queens complained the pageant voting was a stitch-up to favor the Mexican.

