MIRANDA INTELLIGENCE

Mexico Energy Chatter

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The Geopolitics of Oil: Mexico and the Arepa Threat

The capture of Venezuelan President Nicolas Maduro has sparked debate about the impact on Mexico's energy sector. While it is far too early to reach any conclusions, President Trump has been particularly direct in his statements, even for his standards. At different times he has said that the U.S. would manage Venezuela's oil exports, simply share the proceeds with Venezuela, seek compensation for its legacy oil investments in Venezuela, and most importantly seek to revive Venezuelan oil production, home to the world's largest proven oil reserves. So far, the "new" Venezuelan government has not commented much on these imperialistic claims, and it remains unclear how much will actually come to pass.

Meanwhile, most energy experts have tempered expectations that a rebound in Venezuelan oil output would meaningfully disrupt global energy markets, even if there will of course be some select new opportunities. Leaving aside the continued political and legal uncertainty that will keep many oil companies cautious for now, despite its massive reserves, most of Venezuela's crude is heavy or extra-heavy, requiring substantial investment to extract and process. Unlike light crude, which flows easily, heavy crude behaves more like a high-viscosity fluid and needs specialized refining capacity. Once produced, it would enter a market that has been oversupplied for more than three years, with limited refineries capable of processing these blends. Pemex's Dos Bocas refinery is among the few recent projects designed for heavy crude. At the same time, as the world shifts toward cleaner fuels (and given Venezuela's high-sulfur crude) international oil companies are directing capital toward lighter resources, such as Argentina's shale plays or Brazil and Guyana's deepwater projects.

Thus, a Venezuelan return as a major oil power is unlikely to move the needle for global markets over the next decade. It could, however, should political uncertainty be resolved, increase pressure on its most direct peer: Pemex. When Venezuela's oil production began to decline in the mid-2000s — accelerating after 2007–2008 as the government tightened state control — Mexico briefly benefited. Oil service companies refocused on Pemex as their main LatAm client, particularly during periods when Brazil's Petrobras was far more indebted. Some former PDVSA staff also relocated to Mexico, and when Mexico opened its oil sector in 2014, Venezuela was no longer competing for capital, indirectly supporting Mexico's investment push.

Ultimately, Mexico missed the opportunity to fully capitalize on Venezuela's collapse after the López Obrador administration imposed a nationalistic energy policy, which remains largely in place, albeit with a more open tone under President Sheinbaum. As Mexico has lagged, countries such as Guyana and Argentina have emerged as more significant regional players alongside Brazil and Colombia. Analysts now warn that if Venezuela manages to rebuild its oil sector, starting with governance and investor confidence, Mexico would face not just another regional competitor, but one offering a very similar value proposition, with plenty of heavy crude oil in relative geographic proximity to key markets. In other words, arepas could be back on traders' menus, while tortillas risk being pushed to the side.

As the dust continues to settle in Caracas, Mexico faces another wake-up call to sharpen its energy policy. Pemex signed its first five partnerships under the new mixed-contract model before year-end,

but proceeds fell somewhat short of expectations. The company had aimed to raise about US$8 bn from the first wave but will receive just US$50 mn. The contracts involve small and mid-sized onshore fields, with signing bonuses between US$3 mn and US$25.25 mn, with Pemex keeping profit shares of 46% to 84%.

Market sources and analysts have warned since early 2025 that the new legal framework would struggle to attract major oil companies. Pemex had planned to sign 11 mixed contracts, but all winners so far are small or mid-sized suppliers with prior Pemex experience, while international oil companies and large service firms have largely stayed on the sidelines, for now. Unattractive terms, including uncertainty around cost recovery, access to geological data, and payment flows, have deterred broader participation. While more tenders are ongoing and additional contracts could be signed next year, the first round underscores the difficulty Pemex faces in attracting meaningful private capital.

In power generation, there was positive news as the Energy Ministry (Sener) selected projects eligible for fast-track permits, most of them backed by developers with stalled projects during AMLO's administration, when permitting largely froze. The outcome was a diversified group of mostly small and mid-sized private developers, many with Spanish ties. Two projects were later dropped off the list, and remaining developers must still post financial guarantees. The process drew attention across the sector, and should be welcomed. That said, many large international players seem yet to be fully unconvinced about returning to Mexico, and without them, the impact of these initiatives remains limited.

In other energy news…

- Mexico's government has withdrawn a draft regulation that proposed fast-tracking the migration of legacy power permits into the wholesale electricity market, following strong pushback from industry groups. Sener asked the regulator to pull the proposal submitted in early December after companies and trade associations warned it could severely damage existing projects. The draft sought to move power plants operating under permits granted by the 1992 electricity law into the market created by the 2015 reform, while bypassing a public consultation at Conamer, a move that heightened uncertainty among market participants. Generators and investors cautioned that the rules could slash profitability, particularly for wind projects, or even lead to asset transfers to CFE. Facing this backlash, Sener said it is revising the proposal and will present a new version in January, after redefining its scope to ensure regulatory viability.
- Pemex reported a nearly 2% year-on-year decline in liquids production in November, with output averaging 1,641,300 barrels per day (bpd), down 1.9% from a year earlier. Crude production fell 2.79% to 1,633,200 bpd, partly offset by higher condensate output, which rose 6.52% to 284,200 bpd, while natural gas production increased 3.26% to 4,576.2 million cubic feet per day, according to the state-owned company's latest statistics. Mexico's oil exports fell to their lowest level since 1990, averaging 600,400 bpd between January and November, a 25.5% year-on-year decline.
- Pemex CEO Víctor Rodríguez appointed Octavio Barrera as head of the company's Exploration and Production unit, effective Wednesday, according to an internal memo seen by Reuters. Barrera replaces Ángel Cid, who exits the post only months after returning amid

efforts to halt declining crude output and after having previously led the unit under former president Andrés Manuel López Obrador. Although Barrera was named as an interim replacement, the memo grants him full statutory powers. Barrera is an engineer by training, with a background in electronics, and has spent most of his professional career within Pemex in technical and project-execution roles. Prior to his appointment, he served as Subdirector of Design, Engineering, and Project Execution within PEP, a position he assumed in mid-2025 as part of an internal restructuring aimed at strengthening operational delivery. His experience has focused on the planning, coordination, and execution of upstream infrastructure projects, giving him familiarity with Pemex's production challenges. Considered a technically oriented executive rather than a public-facing figure, Barrera's appointment signals an emphasis on continuity and operational oversight as Pemex seeks to stabilize output and navigate ongoing financial and operational pressures.

— Mexico overtook Venezuela as the main oil supplier to Cuba, the FT highlighted. Mexico exported 12,284 bpd last year, a small amount in absolute terms, but accounting for 44% of Cuban imports. While President Sheinbaum has defended the shipments, it remains a source of friction with the U.S. government, one that is bound to rise following President Maduro's ouster.
— A consortium led by Coastal Contracts secured a roughly US$1.14 billion EPC contract from Pemex for new gas sweetening and associated infrastructure at the onshore Ixachi field.