

Berdeja y Butler Consultores, S.C.*

Contribution to the Lateinamerika Verein e.V.:

Energy Reform in Mexico, Part I**:

Overview of the Mexican Energy Industry and Laws passed by the Mexican Congress

* Berdeja y Butler Consultores, S.C. (hereinafter "ByBC") is a Mexican integral, legal and business consultancy firm that materialises investment projects in Mexico and through its strategic allies worldwide. It is mainly focused on German and British investments and therefore full member of the Lateinamerika Verein e.V., Deutsch-Mexikanische Industrie- und Handelskammer, the London Chamber of Commerce and Industry, and the British Chamber of Commerce in Mexico. For further information, be so kind to contact ByBC managing partner, Mr. Carlos Berdeja Prieto, (+52-55-50205121) carlos_berdeja@bybconsultores.com; www.bybconsultores.com

**Part II shall include further analysis on business opportunities that could derive from laws approved, effective dates, and legal certainness of such opportunities.

On October 28th, 2008, the Mexican House of Representatives (*Cámara de Diputados*) passed ten bills or amendments to laws related to the energy reform approved by the Senate (*Senado*) on October 23rd. The 11th – but first in time – amendment to the Law on Federal Duties (LFD), had been approved one week earlier.

The ten laws are:

Law Implementing Article 27 of the Constitution in the Field of Petroleum (LRART27C), PEMEX Law (LPEMEX), Federal Law on State-Owned Enterprises (LFEP), Law on Acquisitions, Leases and Public Services (LAASP), Public Works and Services Law (LOPS), Organic Law of the Federal Public Administration (LOAPF), Law of the Energy Regulatory Commission (LCRE), National Hydrocarbons Commission Law (LCNH), Law for the Use of Renewable Energies and the Financing of the Energetic Transition (LAERFTE), and Law for the Sustainable Use of Energy (LASE).

68% of Senate voting was in favour of the LFD, as it was 71% of the House of Representatives. The other ten laws were approved with a support ranging from 85% (LRART27C) to 90% (LASE) in the Senate and from 78% (LRART27C) to 83% (LCRE) in the House of Representatives.

The initial energy reform submitted by the President, Mr. Felipe Calderón Hinojosa, included opening to private investment in the following activities:

1. Manufacturing (*maquila*) of refined products, namely outsourcing refining
2. Transport, storage and distribution of oil and petrochemicals
3. E&P (Exploration and production) service contracts. All but the latter were politically disregarded, so the reform offers business opportunities to German investors in the E&P – exclusively for service contracts – field, as well as in the renewable energies market.

Other business opportunities might be brought by major investments announced by the Federal Government on July 31st, 2008, as part of the executive-legislative branches negotiations: a new refinery will start being built in 2009 and shall commence operations by 2015. Initial investment is US\$8,171 millions. The refinery will induce import reduction of oil products – namely fuels – of approximately US\$6,7 billion per year.

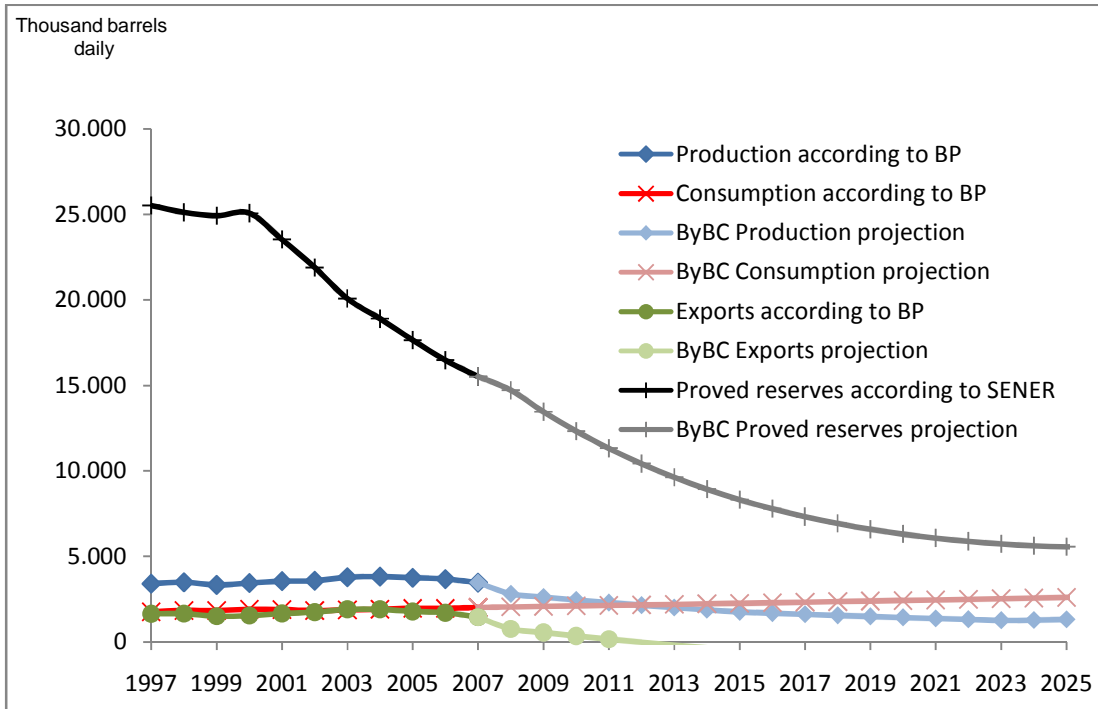
2004 - 2008 (September) Mexico hydrocarbons foreign trade* (US million dollars):

	2004	2005	2006	2007	2008**
Crude oil exports	21,257.94	28,329.35	34,704.53	37,947.00	37,669.00
Oil products					
Exports	1,946.95	2,991.40	3,594.60	4,069.70	4,765.40
Imports	3,791.63	7,858.72	10,028.85	15,832.60	18,258.10
Net exports	-1,844.68	-4,867.32	-6,434.25	-11,762.90	-13,492.70
Natural Gas					
Exports	N/A	78.93	71.81	350.50	204.30
Imports	1,715.13	1,397.94	1,134.55	996.20	1,271.90
Net exports	-1,715.13	-1,319.01	-1,062.74	-645.70	-1,067.60
Petrochemical					
Exports	216.69	302.92	298.72	241.90	312.40
Imports	58.44	106.83	128.19	145.00	120.40
Net exports	158.25	196.09	170.53	96.90	192.00
Balance	17,856.38	22,339.11	27,378.07	25,635.30	23,300.70

*Petróleos Mexicano (PEMEX)

**Information as of Sep. 2008

ByBC projections on oil conclude that in 2012 Mexico oil exports will stop and in year 2013 consumption will exceed national production, which will start growing again in year 2024, when production in deep waters starts.



Graph prepared by ByBC partially based on BP Statistical Review of World Energy (June 2008), and the Mexico Ministry of Energy (*Secretaría de Energía*) Information Service.