

Mexico Gas Business Environment

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Mexico's gas market is poised to grow substantially in the next 10 years. In that period, the Mexican Energy Ministry estimates annual average growth far in excess of economic growth. Currently Pemex produces 4.7 bcf/d and by 2009 the country will have to not only replace declining production but increase output to over 8 bcf/d if it is to avoid massive natural gas imports. Under the most optimistic scenarios a supply-demand gap of 2 bcf/d is anticipated. A relative large number of potential LNG producers are queuing outside Pemex in hopes to join the oil and gas monopoly in bringing imported LNG. This paper will review the challenges faced by Mexico and Pemex in meeting the rapid demand growth for natural gas, what are the options being considered. In particular, the current initiative to enlist foreign investment under a "pure service" contract scheme is to be discussed.