



GREATER HOUSTON PARTNERSHIP

MEXICAN ENERGY REFORM

Greater Houston Partnership Opinion Piece

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Much has been written about the historic reforms in Mexico led by President Enrique Peña Nieto. We'll add to the chorus by saying that we are encouraged by the opportunities these reforms present our neighbors to the south. In particular, we believe that the energy reforms are poised to allow the people of Mexico to finally unlock the tremendous resources literally under their feet and institute real and lasting change that improves the quality of life for the entire nation.

The Greater Houston Partnership is leading discussions with top officials in the Peña Nieto administration and the leadership at PEMEX.

In early February, the Partnership led a delegation of senior energy leaders to Mexico City to engage in direct dialogue with these officials. After sitting directly across the table from some of the architects of these changes, we can report that Mexico's energy reforms are real. The common refrain heard from all involved was, "this time it's different." The speed with which these constitutional reforms were ratified by the Mexican state legislatures and the growing momentum to pass the implementing legislation are quite remarkable.

We believe this is a unique time for Mexico and Houston. Not since the United States, Canada and Mexico jointly passed NAFTA in the early '90s, when the Greater Houston Partnership helped encourage the Texas delegation and others in Washington to vote for this important trade pact, has an opportunity of this magnitude presented itself.

The Houston business community is uniquely positioned to work with the Peña Nieto administration and the burgeoning Mexican energy industry. Houston's strengths lie not only in our proximity but also in that Houston is the global hub of energy expertise that supports the entire value chain.

Houston-based expertise can help Mexico tap their unlocked energy potential. Just as the United States is enjoying an energy renaissance, largely driven by Houston-based innovation and ingenuity, the Mexican energy industry has the opportunity to safely and efficiently expand its resources.

The end-game of this modernization was best characterized when a top official said, "We want American standards." Our colleagues to the south are seeking best practices in technical processes, safety protocol, environmental safe guards and business decision-making.

We also know that the next few weeks will be critical in the reform process. PEMEX officials will soon learn which assets and facilities they will continue to operate. Additionally, the Ministry of Energy and the National Hydrocarbons Commission of Mexico are helping draft the enabling legislation that will establish the framework of the reform and the process for moving forward. This framework must be approved by the Mexican Congress by the end of April 2014. It is critical that the legislation be implemented correctly or the reforms will be derailed.

Now is the time for Houston's energy community to engage in this conversation. This week the Greater Houston Partnership is convening key officials from the Peña Nieto administration and PEMEX to continue the dialogue with Houston's business leaders at an open forum event. This discussion will include the President of the National Hydrocarbons Commission, Juan Carlos Zepeda Molina, one of the most prominent officials in this reform process. The National Hydrocarbons Commission is responsible for implementing key pieces of the legislation and for establishing technical guidelines and standards for these projects and bidding rounds.

These reforms provide an incredible opportunity for Mexico, and Houston's energy industry will be critical to this process. Up and down the value chain, including service operators and equipment providers, midstream players, engineers, consultants and financiers, this is an opportunity for every Houston business engaged in energy.

The large multi-national players already sit at the table, but it's the mid-market and smaller service and product companies that need to pay attention. The pace of these reforms is staggering and 'the train is about to leave the station.' The time is now to get educated and learn how you can take part in this exciting opportunity before you miss the chance.

Houston's past and future are inextricably linked with Mexico through our peoples, culture and commerce. Mexico's success is Houston's success. And as we partner with them in this exciting endeavor, there is much success to be shared.

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