



# The Opening of Mexico's Energy Sector

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## Key Points:

- *Mexico's newly enacted energy reforms promise to be Pena Nieto's most important policy initiative – a potential game-changer yielding substantial economic benefits for the entire economy.*
- *The reforms are intended to drive private investment to reverse declining oil production, lessen the country's dependency on natural gas imports, and reduce overall energy costs to make the manufacturing sector more competitive.*
- *Lawmakers passed the energy reforms in December 2013, and subsequently passed implementing legislation in early August 2014, mostly in line with the guidelines of last year's constitutional reform and the ruling PRI's original proposal.*
- *Once the reforms are fully implemented, the Energy Ministry will have flexibility to decide which oil fields to open to foreign investors and what type of contracts to give them, and it will award permits for refining and processing.*
- *Initial flows of foreign investment into Mexico's energy sector could begin late next year or early 2016 and then gain traction. But initial increases in oil production will be slower, given the considerable lead times for upstream development projects.*
- *New oil production could begin to come onstream, albeit in small volumes, within the next five years in the Burgos Basin, which, although as yet unexplored, is essentially thought to be a southern extension of the Eagle Ford shale play in West Texas.*
- *Longer term, the main effect of the country's energy reforms will be to open up deep-water exploration in the Mexican zone of the Gulf of Mexico, which could quite possibly make the target of 3.5 million barrels per day attainable by 2025.*
- *Though largely unexplored to date, Mexico is one of the few countries apart from the U.S. and Canada that is poised to become a commercial producer of shale gas in the next decade.*