

Mexico Energy Chatter

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Steadily and quietly, Mr. Slim's energy investments continue to grow

For decades, Mexican businessman Carlos Slim has kept his energy investments relatively quiet: they're not quite a secret, but most people think of him as a telecom and banking magnate, overlooking his interests in other sectors, such as mining, construction, infrastructure and retail. Over the past years, however, his participation in the oil and gas sector (both in Mexico and in the U.S.) has grown steadily. Notably, while other private investors have stayed away, his companies have pressed on, striking some of the largest deals with Pemex during former president Andrés Manuel López Obrador's administration. These have included the contract to develop the offshore gas field Lakach and the purchase of a stake in the Zama field. This follows the traditional Carlos Slim playbook – be greedy when others are fearful (and vice versa).

In June, a Pemex presentation on mixed contracts circulated among industry participants, suggesting Grupo Carso was considering a US\$5 bn signing bonus to develop Ixachi, one of Pemex's flagship onshore gas fields. Pemex estimated it could receive US\$8.5 bn from this first wave of mixed contracts. That potential interest has now materialized, though with a much smaller number: Carso and Pemex have signed a deal worth up to US\$2 bn to drill and complete up to 32 wells over three years in Ixachi. Interestingly, the structure used was an "old" oil service contract, instead of the "new" mixed contract, despite previous statements by Grupo Carso CFO Arturo Spínola García, who said during the 2Q25 earnings call in July that the company was interested in the mixed-contract scheme because it offered more payment security.

Previous attempts to use service contracts for large projects have failed. This time could be different, but even under these contracts Pemex carries most risks while Carso's main exposure remains the payment flow tied to project performance and Pemex's ability and willingness to pay, which has deteriorated over the past seven years. Pemex will begin paying for the financed wells in January 2027 through 21 monthly payments per well delivered, with 12 wells expected to be in production by the time of the first payment. Pemex might have wanted to showcase a mega mixed-contract deal in Ixachi, but for now, Mr. Slim preferred the old way of doing business with the company. And unlike some other Pemex suppliers, he likely has the political and balance sheet clout to get paid.

Pemex's salvation could come at the highest cost

Over the past month, coverage of Pemex has focused on two issues: Mexico's fuel-theft problem, known as *huachicol*, and the increasing financial support extended by the government. Nonetheless, it's likely that, even if the flow of millions of liters moving through the black market suddenly stopped, it would not materially improve Pemex's finances directly: the government bears the brunt of this impact, via foregone taxes on smuggled fuel. Pemex's deeper problem is that it keeps burning cash at a literal industrial scale, as perhaps best

illustrated by the Olmeca refinery, whose cost overruns have more than doubled the original budget.

Moreover, while the rating agencies have welcomed the large, innovative financing vehicles the government has deployed to help Pemex —over USD 50bn in government support announced in the past two months—, officials admit the subsequent rating upgrades reflect the increased sovereign backing, not Pemex’s business plan or operational improvements. Crude output keeps falling while refining losses mount. Rating agencies are simply recognizing stronger sovereign-Pemex ties in the present, but its costs could pile up in the future. And while the P-Caps are technically off balance sheet, this should not fool anyone: they still need to be paid back.

At Moody’s annual event in Mexico City last week, analysts warned that Pemex could cost Mexico its investment-grade rating, as the federal debt (ex Pemex) could reach around 50% of GDP by 2027-2028. Senior analyst Renzo Merino noted that net federal debt already stood at 44.4% of GDP in July after rising about five points in one year. It’s also increasingly expensive to service, with roughly 17% of government revenues going to interest payments— one of the highest burdens among peers—leaving less room for spending on infrastructure, education, and health. He urged Mexico to address structural fiscal issues, including rigid government spending, Pemex’s impact, and social transfers.

President Sheinbaum has claimed Pemex will not need further aid after 2027, but without an internal restructuring to raise crude output and reduce refining losses, the company will be unable to stand on its own. This year, Pemex support is a main reason the federal government failed to cut its budget deficit below the 4% target set during the presidential transition. Economists and macro analysts again point out that Mexico needs tax reform to raise revenue as a share of GDP —one of the lowest among OECD countries. Fixing Pemex’s negative cash flow and the *huachicol* black market would give the government far more room to tackle that reform. Sheinbaum’s first year in office is ending with some progress, but more will be needed in the coming years.

In other energy news...

- Rating agency Fitch expects to upgrade Pemex’s rating from BB to BB+ once the company completes its US\$10 bn bond buyback, which would place it one notch below regaining investment grade. Analyst Adriana Erazo said this operation strengthens the link between the Mexican government and the state oil company, making Pemex’s financing increasingly similar to sovereign financing. However, for Pemex to achieve full investment grade (BBB–), one of three conditions must occur: Mexico’s sovereign rating must improve, Pemex’s stand-alone rating must rise from CCC to BB–, or the government must explicitly guarantee 75% of Pemex’s debt.
- BBVA México’s economic research unit warned that without major fiscal adjustments, Mexico’s public debt could rise to 58% of GDP by 2030, increasing the risk of losing investment grade and pushing up borrowing costs for the government, businesses and households. Chief economist Carlos Serrano stressed the urgent need for a deep tax reform to widen the fiscal space, reduce informality, rethink property taxes and boost digitalization, noting that pensions now consume four points of GDP versus one point

- 25 years ago. He added that falling oil revenues and the mounting support the federal government must provide to Pemex are further squeezing public finances.
- Mexico must at least double its current gas pipeline network with private-sector participation to meet its energy security goals, especially in natural gas, according to the Mexican Institute for Competitiveness (IMCO). The think tank urged completion of key unfinished pipelines—Jáltipan-Salina Cruz, Tula-Villa de Reyes, Tuxpan-Tula, the Mayakán expansion and Centauro del Norte—arguing these are critical for projects such as the Isthmus Corridor and CFE power plants. IMCO's report stressed that the challenge is not import capacity but moving gas to underserved regions like the southeast and southwest, creating redundancy to guarantee supply, and leveraging private investment because fiscal constraints limit federal borrowing for energy infrastructure. Natural gas, which provides about 60% of the fuel for power generation, has become a cornerstone for Mexico's energy transition, and Cenagas plans to invest MXN 42.7 bn (~US\$2.3 bn) during the Sheinbaum administration to operate, maintain and expand the national pipeline system.
 - In August, Mexico's crude oil exports averaged 500,000 barrels per day, down 31.5% from a year earlier and marking the second-lowest level since the early 1990s, though improving marginally from June's 458,000 average. Pemex's data show exports have fallen for five consecutive months as more than one million barrels a day of production—1.64m barrels in August, down 7.1% year-on-year— are diverted to the refining business.
 - Pemex and the oil workers' union agreed to a 4.5% wage increase for staff under the 2025-2027 collective bargaining agreement after more than three months of talks, alongside a 32.64% productivity bonus in each bi-weekly paycheck and a 4.32% pension hike for retirees.
 - Retired General Eduardo León Trauwitz, former head of Pemex's Strategic Safeguarding unit, said he personally warned then-incoming Energy Secretary Rocío Nahle in 2018 about fiscal *huachicol* (fuel tax fraud) and port control failures, handing her a diagnosis first compiled under former Pemex CEO José Antonio González Anaya. In an interview with local newspaper Reforma he described weekly high-level meetings at Pemex to tackle fuel theft and the deployment of undercover teams that filmed illegal operations, including manipulated intake valves and faulty meters in Veracruz that allowed undisclosed fuel offloads. He claimed the biggest losses were not from clandestine pipeline taps but from ports, where false invoices, altered balances and simulated shipments—sometimes with collusion from union workers and gas station owners—enabled large-scale theft; he said some whistleblowers were later murdered in Veracruz, Salamanca and Lázaro Cárdenas. Mr. Trauwitz said Nahle listened attentively during the transition but that soon after he was publicly accused in the president's morning briefing.
 - A massive blackout struck the Yucatán Peninsula on Friday, September 26, disrupting power for more than 2.2 million people across major cities such as Mérida and Campeche, as well as tourist hubs including Cancún and Holbox. The outage was caused by a transmission line failure that occurred during scheduled maintenance. Electricity was restored later that evening, but the disruption severely impacted homes, businesses, transportation systems, and tourism services across the region. The

incident reignited public concern over the reliability and resilience of the region's energy infrastructure.

- Moody's VP Roxana Muñoz said that the USD 12bn issuance of pre-capitalization notes (PCaps) being used by Mexico and Pemex could serve as a model for other countries, pointing specifically to Peru. "Normally, we saw these transactions in corporate holding structures helping their subsidiaries. I think this transaction opens the door to other countries such as Peru, which helps Petroperú," she said, suggesting that the mechanism Pemex is using could be replicated to support the state-owned oil company in Peru. It seems that even rating agencies are happy to indulge in the delusion such instruments are not equivalent to debt.