



Mexico Energy Chatter

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Pemex: is the juice worth the squeeze?

Pemex closed 2025 refining at 1.02 mn barrels per day, topping the 1 mn bpd mark for the first time in a decade. It was the milestone former president López Obrador chased (but never achieved in office) as proof of his nationalistic energy policy: Mexico should turn its own crude into gasoline. “If you have oranges, why wouldn’t you make juice?” AMLO asked to justify Dos Bocas, even as its cost ballooned to roughly three times the original estimate.

Pemex is now squeezing those oranges, reducing reliance on fuel imports from the U.S., a long-profitable outlet for Gulf Coast refiners, but the trade-offs are real.

For years, Pemex’s model, underinvesting maintenance capex across six ageing refineries while importing fuels, was financially rational. Crude hovered near US\$24/bbl, the dollar traded below MXN 10, and the central challenge was declining production after the 2003 peak. Capital was better spent sustaining exports than upgrading refineries; exporting crude and buying fuels from low-margin U.S. plants delivered better value than trying to fix Mexico’s inefficient system.

In the 2010s crude rose above US\$100/bbl and the peso weakened toward MXN 19 per dollar by 2016, lifting both export receipts and the fuel import bill. Yet at these oil prices returns on capital in E&P far exceeded returns from investing in low margin refineries, so the strategy persisted. When Pemex did invest downstream, much of it went to upgrading fuel oil into higher-value products, with poor results: converted refineries (Cadereyta, Minatitlán, Madero) performed worse than those largely untouched (Salina Cruz, Tula, Salamanca).

AMLO’s pivot put sovereignty ahead of ROIC, with Dos Bocas as the emblem. Nearly eight years later, and after about US\$20bn in capex, Pemex crossed 1 mn bpd. In 2025, fuel import costs fell 27%, from US\$24.3bn in 2024 to US\$17.7bn, largely as domestic output displaced imports. Dos Bocas’ cost is already embedded in Pemex’s accounts, with long-run returns hard to isolate, but industry consensus is that it won’t deliver a sustainable return given low refining margins and runaway construction costs. Meanwhile, reduced crude exports driven by poor E&P results under AMLO and lower oil prices cut export revenues 37% year on year.

Pricing policy complicates the economics. Pump prices are managed through the IEPS fuel tax: when oil rises faster than inflation, the Finance Ministry cuts IEPS; when oil falls, IEPS rises (within an annual cap), smoothing retail prices. With oil lower, the ministry is now collecting more tax, widening the spread over market prices.

Pemex will keep trying to displace imports, investing in new units at Tula and Salina Cruz to further upgrade fuel oil, still 25% of total fuel output in 2025. The harder test is durability: if crude production keeps falling, potentially to 1.2 mn or even 1.0 mn bpd excluding condensates, Pemex may eventually need to import crude to keep refineries running, even though condensates are ill-suited for many of Pemex’s refining configurations.



In other energy news...

- Mexico's resurgence in fuel production is beginning to weigh on U.S. refiners as demand from their largest foreign buyer fades, according to Bloomberg. Pemex's imports of gasoline and diesel fell to a 16-year low last year as the state oil company ran its domestic refineries at their strongest pace in a decade, helped by the long-awaited ramp-up of the Dos Bocas refinery and the start-up of a new coking unit at Tula that upgrades low-value fuel oil into higher-margin products. Mexico imported about 726,000 bpd of gasoline and diesel in October, according to U.S. Energy Information Administration data, but the downward trend threatens refiners such as Valero, Marathon Petroleum and Exxon Mobil at a time when U.S. gasoline inventories are at their highest since the pandemic and diesel stocks are near a two-year high. Pemex is expected to keep its refineries running hard through the Easter travel season, though frequent outages, including recent fires at Dos Bocas and Salina Cruz, raise questions about sustainability. The shift also adds uncertainty for U.S. refiners that rely on heavy crude from Mexico and Canada, with analysts warning that shrinking Mexican supply could tighten feedstock markets just as U.S. refiners face softer export demand.
- On the other hand, Pemex's crude oil production fell to its lowest level since 1979 in 2025, underscoring the structural challenges facing the state-owned producer despite a modest rebound toward the end of the year. Average annual output, including condensates, declined by 7.0% to around 1.64 mn bpd, even as December production showed a slight month-on-month recovery. The data confirm that the late-year uptick was insufficient to offset the broader downward trend, leaving Pemex well below its official 1.8m bpd production target. Banamex estimates that, given the sustained decline in annual output, additional financial support beyond what has already been provided will be required to stabilize production in the near term, highlighting the growing fiscal burden associated with maintaining Pemex's oil platform.
- Pemex's Olmeca refinery was forced to halt operations on January 26 due to an electrical failure, according to two internal reports seen by Reuters. The outage shut down the coking unit, catalytic cracker and several hydrotreating plants across both processing trains, at a time when the facility had yet to consistently reach its 340,000 bpd nameplate capacity, with one report indicating that about 150,000 barrels of crude processing were lost during the shutdown. Pemex publicly attributed the incident to a "pressure variation" in the catalytic unit that caused visible smoke and said the refinery was taken to a safe shutdown with conditions under control. Dos Bocas, which began operations in the second half of 2024, has suffered multiple stoppages linked to power supply and cogeneration issues, including outages in April and August last year, even as it recorded a peak throughput of 263,402 bpd in December.
- Despite a sharp correction in international oil prices and a stronger peso, retail gasoline prices in Mexico have remained relatively high in comparative terms, reflecting policy choices rather than cost dynamics, according to Banamex. In real terms (2018 pesos), gasoline prices in 2025 were lower than in 2018, confirming that fuel prices have grown more slowly than headline inflation over the past seven years. This outcome reflects the gradual normalization of the IEPS mechanism after years of generalized fuel subsidies, allowing the tax to recover its revenue-raising role while avoiding real price increases for consumers. However, the anchoring of domestic gasoline prices, particularly regular gasoline, has limited the pass-through of lower international prices and exchange-rate appreciation to the final consumer. Even after adjusting for inflation, gasoline prices in Mexico have remained persistently above those observed in the U.S. Gulf Coast, with the real price gap widening to more than MXN 5 per liter on average during 2025. Mexico is also among the countries with the highest gasoline



consumption globally, and one of the most gasoline-intensive energy matrices, amplifying the fiscal and political relevance of fuel pricing.

- The Mexican government unveiled a MXN 5.9 tn (~US\$340 bn) Infrastructure Investment Plan for 2026–2030, with the energy sector at the core of the strategy. The plan prioritizes public investment complemented by the new mixed-investment schemes designed to mobilize private capital while maintaining state control, a model the administration argues is fundamentally different from past public-private partnerships. President Sheinbaum said the approach builds on financial instruments already used for Pemex, allowing the state to expand investment in energy, water and transport infrastructure while avoiding the high financing costs and long-term fiscal burdens associated with earlier PPP structures. Finance minister Edgar Amador said the program is anchored in the president’s 100 policy commitments and the National Development Plan, with the goal of deploying more than 1,500 projects across eight strategic sectors by 2030. Banobras chief Jorge Mendoza added that the government will retain majority stakes in mixed projects to ensure operational control and governance, citing precedents such as the acquisition of Iberdrola’s power plants.
- In recent years, foreign energy companies have scaled back or exited Mexico’s retail fuel market amid an official push to restore Pemex’s market share, compounded by what industry participants describe as unfair competition and criminal activity linked to fuel theft and so-called “fiscal huachicol,” according to newspaper Reforma. International brands such as Total, Shell, Chevron, Repsol and Gulf have curtailed expansion plans or shut down service stations after initially committing substantial investments following the market’s opening in 2015, when reforms sought to allow retailers to source fuel independently from Pemex. Gulf, for instance, announced plans in 2016 to invest up to US\$400 mn in storage terminals and as many as 2,000 stations, but has since reduced its footprint, according to PetroIntelligence data based on energy regulator statistics. Industry representatives argue that the effective suspension of import and storage permits from 2018, combined with price controls, thin margins and widespread fuel smuggling, eroded the business case for private operators. U.S. oil and gas groups have raised these concerns in trade consultations ahead of the USMCA review, warning that investments are at risk and calling for enforcement mechanisms to prevent discrimination in favor of Pemex, whose strengthened legal status as a state public enterprise further complicates prospects for foreign competitors.
- U.S. President Donald Trump claimed credit for halting Mexican oil shipments to Cuba, publicly contradicting President Sheinbaum. Trump said Mexico would stop selling oil to the island, describing Cuba as a “failed nation” no longer receiving support from Venezuela or other countries, and suggested Washington was close to reaching an understanding with Cuban authorities without providing details. His remarks came days after he threatened tariffs on goods from countries supplying crude oil to Cuba.
- A federal judge ordered Pemex not to suspend or terminate its contract with Typhoon Offshore, the oilfield services company controlled by Ricardo Salinas Pliego, after accepting the firm’s voluntary insolvency filing and determining that the Pemex contract is Typhoon’s sole source of revenue. Judge Ruth Huerta García ruled that maintaining the contract is necessary to preserve the company as a going concern and prevent a worsening of its insolvency, while allowing Pemex to terminate the agreement if Typhoon breaches its obligations. Typhoon halted operations in October after alleging Pemex had failed to pay for 16 months, accumulating arrears of about US\$960 mn, despite a contract originally signed in 2019 for offshore well intervention services that was repeatedly amended to raise its value to



as much as MXN 4.65 bn and US\$1.89 bn. The ruling temporarily shields Typhoon from creditor actions, including account seizures and supplier lawsuits, while a court-appointed examiner assesses whether the company should formally enter insolvency proceedings, a process that would open a year-long negotiation period with creditors, including development banks such as Nafin, Banobras and Bancomext.

- Woodside Energy said the Trion deepwater project in Mexico reached 50% completion by year-end 2025 and has secured all key permits to begin field activities, marking a major milestone for the country's first deepwater oil development. The company said assembly of the hull for the floating production unit (FPU) Tlálloc and installation of all critical topside modules have been completed, while construction and procurement of the floating storage and offloading unit (FSO) Chalchi continue. Woodside also confirmed it received regulatory approval of its HSE management system (SASISOPA), granting final authorization to start offshore operations. The US\$7.2 bn project has advanced subsea equipment manufacturing, including completion and testing of the first subsea tree, alongside preparations for drilling, umbilicals, flowlines and the gas export line ahead of installation activities this year. Discovered by Pemex in 2012, Trion holds an estimated 479 mn barrels of oil and gas resources.
- A federal judge ruled that Altos Hornos de México (AHMSA) and its subsidiary Minera del Norte (Minosa), both declared bankrupt, will be auctioned to the highest bidder on February 27, marking the most significant liquidation of a failed company in more than 25 years of Mexico's insolvency proceedings. Judge Ruth Huerta García authorized the court-appointed trustee, Víctor Manuel Aguilera Gómez, to receive binding bids for the steelmaker's productive units, following a postponement from an initial January 30 date to finalise the auction terms. The public auction will be held at a federal courthouse in Mexico City after a prequalification process for interested investors, with the assets valued at US\$1.33 bn and a minimum reference price of US\$1.13 bn, although those figures could be revised if the auction attracts no bids. Pemex and other creditors have challenged the process through legal appeals that are unlikely to halt it, while the trustee has said at least eight domestic and foreign investors have expressed interest in AHMSA, once Mexico's largest steel producer, which collapsed under debts totaling about MXN 61 bn, including MXN 10 bn in unpaid taxes.