



Mexico Energy Chatter

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Venezuela can find its mirror in Mexico... and vice versa

President Claudia Sheinbaum has highlighted the results of efforts to ease state-owned Pemex's debt burden over the past seven years, lowering the debt load by roughly US\$20 bn compared with the end of 2018, when her mentor and predecessor, Andrés Manuel López Obrador, took office. Rating agencies Moody's and Fitch have upgraded Pemex in recent months thanks to continued financial support, although the company remains in speculative territory. However, neither agency has signaled meaningful operational improvement stemming from the new management or the recently approved legal framework.

Pouring money into Pemex has been the name of the game. AMLO sought to revive the downstream business by building a new refinery, while Sheinbaum has focused more on cost cutting and increasingly creative, off-balance-sheet financial engineering to bolster the company. Pemex's refineries are producing more gasoline and diesel, driven by the ramp-up at Dos Bocas, though the profitability of that strategy remains questionable. Financial tactics such as last year's P-Caps were well received by foreign investors, but the federal government will shoulder the cost of those instruments over the coming years.

As for the new energy reform, approved in the first days of Sheinbaum's term, only a handful of contracts between small companies and Pemex—aimed at developing and operating marginal fields under the new mixed-contract model—have emerged thus far. The administration's latest approach is to partner with Pemex under contracts where the company must retain at least a 40% share of profits or production, governed by a regulator linked to the Energy Ministry. That resembles the mixed-contract model created decades ago, a structure that Venezuela is now trying to move away from in order to lure new investors.

At an event held last week by the U.S. think tank Institute of the Americas, panelists discussed Venezuela's new hydrocarbons law, noting that the amended regulation opens the door for foreign oil companies to operate and sell crude under production- or profit-sharing contracts without direct supervision from state-owned PDVSA.

Under the reform, private companies—foreign and domestic—can participate directly in upstream activities such as exploration, extraction, transportation and initial storage without being forced into PDVSA-dominated joint ventures. The new law also expands commercial autonomy: operators may market production and manage revenues with ministerial approval, while minority partners in mixed companies gain broader rights to operate and sell output, subject to oversight.

The revised framework modernizes the fiscal and contractual regime while maintaining state ownership of hydrocarbon reserves. It establishes royalties of up to 30% and an "Integrated Hydrocarbons Tax" capped at 15%, consolidating previous obligations into a simplified structure and allowing flexible rates depending on project economics. Stability clauses and transitional mechanisms aim to protect investors from adverse legal changes and preserve contractual balance, while arbitration is expressly permitted. Critics argue the shift could dilute state control and reduce public revenue, but supporters see it as essential to unlocking investment and reviving Venezuela's

crumbling oil sector. Panelists agreed the law is a meaningful step, though its success will depend on consistent enforcement, transparent allocation processes, and demonstrated workability.

This is not to say Venezuela has suddenly become a haven for operators eager to tap the world's largest reserves, at least not yet. Panelists stressed that significant hurdles remain: investors will not easily forget the Chávez and Maduro eras. Legacy debt, unpaid obligations, financial restructuring and individual sanctions create a complex compliance environment for re-entry. Still, capital flows where risk-adjusted returns justify it, and some investors will be willing to take more risk than others, particularly relative to other LatAm opportunities. Those with long memories will recall the 1970s and 1980s, when PDVSA's operations were considered a league above Pemex's.

This is where Mexico's hydrocarbons policy, rule of law, and broader investment climate will inevitably be compared with Venezuela's shift, even if both countries are starting from very different positions. Venezuela is embarking on a long and uncertain path to regain international investors. Since 2018, Mexico has moved in the opposite direction, leaving Pemex heavily dependent on government support to meet its debt obligations.

When two countries walk in opposite directions, their paths can eventually intersect. It has happened before.

In other energy news...

- Pemex re-entered Mexico's local debt market with a record 31.5-billion-peso (US\$1.8 billion) certificados bursátiles deal, its first peso issuance since 2019. The transaction is the largest corporate bond sale ever in the domestic market and immediately pushed February issuance to an all-time monthly high, even before mid-month. The deal was split into three tranches, allowing Pemex and SHCP to adjust sizes based on demand. The company sold 9 billion pesos in floating-rate notes at 5.2 years, 17 billion pesos in nominal fixed-rate bonds at 8.5 years (anchored by a 2034 line yielding 10.8%), and 5.5 billion pesos in 10.5-year inflation-linked paper at a fixed real rate. Investor appetite was strong: the book reached 63.285 billion pesos, 2.5 times the original 25 billion pesos target and twice the final size, allowing Pemex to tighten pricing by an average of 42bp versus initial price talk. Pemex says proceeds will refinance 2026 amortizations rather than increase net debt, aligning the operation with its 2025–2035 strategic plan and the government's goal of easing short-term refinancing risk without adding to the overall debt stock.
- Pemex has awarded the mixed contract for the onshore Macavil field, which holds gas and oil condensate reserves, to a company controlled by Carlos Slim, further expanding the billionaire's footprint in Mexico's energy sector under the new partnership model that guarantees the state oil company at least a 40% stake. The award follows the mid-December allocation of five of the 11 mixed contracts Pemex aims to sign under its revised scheme. Macavil, discovered in 2024 in southern Mexico, contains 1P reserves of 7m barrels of condensate and 73 bcf of natural gas, with 3P estimates rising to 34 mn barrels and 409 bcf. Total output under the contract is projected at 27.5 mn barrels and 393 bcf through 2045, with peak production expected at 14,000 bpd in 2028.
- Less auspiciously, Grupo Carso granted Pemex a one-time 7% discount on outstanding payments from the fourth quarter of 2025, the company controlled by Carlos Slim told analysts, clarifying that the reduction is not intended to be repeated. While Carso did not disclose the total amount discounted or the payment made by Pemex, it had previously reported that, as



of the second quarter of last year, Pemex owed more than US\$700 mn to its Infrastructure and Construction division. In its filing to the stock exchange, Carso said that as of 31 December 2025, three Pemex-related projects signed between 2021 and 2023 remain in the settlement process. The company added that its Infrastructure and Construction unit was negatively affected in the fourth quarter by Pemex-related receivables, posting operating and EBITDA losses of MXN 446 mn and MXN 205 mn, respectively, due to platform maintenance costs and adverse FX effects linked to collections from Pemex at year-end, with net income swinging from a MXN 691 mn profit in 4Q24 to a MXN 471 mn loss in 4Q25.

- Pemex CEO Víctor Rodríguez said the company's financial debt has fallen 20% compared with 2018, or more than US\$20 bn, reaching the lowest level in 11 years, while supplier payments surpassed MXN 390 bn in 2025, supported by a financing program coordinated with the Finance Ministry and development bank Banobras that helped regularize arrears and stabilize operations. Rodríguez said the payment strategy will continue this year, prioritizing small companies in oil-producing states, with the commitment to settle all outstanding obligations once 2025 results are finalized. Operationally, he reported that liquids production rose by more than 122,000 bpd, crude processing reached 1.5m bpd including Tula and Dos Bocas, and refining margins averaged USD 12 per barrel, with higher output of gasoline, diesel and jet fuel.
- Moody's Ratings warned that Pemex remains a significant fiscal burden for Mexico, complicating efforts to reduce the deficit and weighing on the country's sovereign credit profile. The agency said continued financial backing for the state oil company, combined with weaker economic growth, could delay fiscal consolidation, raise debt metrics and increase pressure on the sovereign rating. Moody's noted that despite strong revenue growth and spending cuts in other areas, substantial transfers to Pemex limited fiscal adjustment in 2025, resulting in a deficit of 4.9% of GDP, pushing government debt close to 50% of GDP, up from 40% in 2023, with projections pointing toward 55% by the end of the decade. Pemex continues to post operating losses and negative free cash flow, estimated at an average of US\$7 bn annually between 2026 and 2029, requiring ongoing sovereign support, including budgeted resources for debt service in 2026 and potential backing for previously issued instruments such as P-Caps and related trust vehicles. At year-end 2025, federal government net debt stood at 48.2% of GDP, while broader public sector debt reached 52.6%.
- Federal government transfers to Pemex prevented Mexico from meeting its fiscal consolidation targets and, for the first time, resulted in a net deficit balance between what the oil company contributed and what it received, effectively meaning taxpayers subsidized its operations, according to México Evalúa. Despite spending restraint and stronger tax collection, the public deficit closed at 4.9% of GDP —above the 3.9% initially projected and one of the highest levels since the 2008 crisis— driven largely by support for Pemex that exceeded approved amounts. The Energy Ministry overshot its budget by 189%, or MXN 262.4 bn, as Pemex received MXN 396 bn in transfers while contributing only MXN 240 bn, implying a net fiscal cost of MXN 156 bn. Oil revenues fell 2.7% in 2025 to MXN 968 bn, 15% below target, reflecting weak production.
- Federal government support for Pemex led to a sharp contraction in BBVA México's lending to state-owned entities, marking one of the steepest declines on record for that segment. The bank's loan portfolio to parastatals —including Pemex and CFE— fell 54% from MXN 55.5 bn in 2024 to MXN 25.5 bn in 2025, driving a 13.2% decline in total government-related lending to MXN 176.9 bn. BBVA's CFO Beatriz Muñoz said continued federal financial backing for



Pemex reduced the company's need to draw credit lines, leading to prepayments and lower utilization. CEO Eduardo Osuna added that the government's market structure to support Pemex effectively substituted liabilities, refinancing long-term debt and repaying suppliers as well as short and medium-term bank loans, which explains the bank's lower exposure.

- Bloomberg Línea reports that Mexico's tighter controls to curb fuel smuggling and tax evasion are creating unintended supply bottlenecks for the auto sector, including shortages of imported lubricants and greases needed to keep assembly lines running. The issue flared in December, when annual import permits are renewed, and companies say added bureaucracy delayed authorizations even as compliance requirements were tightened to ensure full traceability of fuel and lubricant imports, most of which come from U.S. refineries. Sources told Bloomberg Línea that one automaker temporarily halted operations and three others came close to doing so, affecting plants across Chihuahua, Coahuila, Aguascalientes and Guanajuato. The report notes industry representatives raised the problem with President Claudia Sheinbaum in at least two January meetings, warning that permit delays are creating uncertainty at a time when manufacturers are already coping with U.S. tariff pressure.
- Pemex CEO Víctor Rodríguez Padilla said the state oil company sold US\$496 mn worth of crude and refined products to Cuba last year under a single commercial contract signed in 2023, describing the trade as minimal and stable. He noted that shipments to Cuba accounted for less than 1% of Pemex's crude production and just 0.1% of total sales in 2025.
- An explosion at a Pemex pipeline in Loma Larga, in the municipality of El Barrio de la Soledad in Oaxaca's Isthmus of Tehuantepec, left three people dead and six injured during routine maintenance operations. State Civil Protection authorities said the incident occurred amid internal cleaning works that initially triggered an explosion and subsequently a fire at a pumping station site. Pemex said the accident took place on the Nuevo Teapa–Salina Cruz pipeline as personnel were injecting nitrogen, a standard procedure used to remove residues, test pressure and integrity, and displace products within the pipeline.