MIRANDA INTELLIGENCE

Mexico Energy Chatter

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Promises and Precedent: Pemex's Petrochemical and Fertiliser Revival

Pemex’s new CEO Juan Carlos Carpio Fragoso unveiled a 93-billion-peso investment programme to revive Mexico's petrochemical and fertiliser industries between 2026 and 2030 at the president’s 5 June *mañanera,* held in Coatzacoalcos. Carpio framed the initiative as a response to decades of neglect that left Mexico dependent on imports and unable to capture the value-added potential of its own hydrocarbons.

The announcement comes as fertilizer costs are rising fast. Mexican fertiliser imports fell 20.4 per cent by volume in the first four months of the year, but the cost per tonne surged 38.9 per cent year-on-year compared with the same period of 2025, according to customs data analysed by the Grupo Consultor de Mercados Agrícolas (GCMA). Total purchases over January–April reached 1.3 million metric tonnes at a sharply elevated cost. The closure of the Strait of Hormuz is among the principal drivers of the global price shock, with fertiliser production's intensive dependence on natural gas amplifying the transmission from energy markets to agricultural inputs.

The announcement comes on the back of a recovery in domestic production. Pemex closed 2025 with fertiliser output of 975,000 tonnes — a 21 per cent increase on the 807,000 tonnes recorded in 2024 — comprising 590,000 tonnes of phosphate-based fertilisers, 220,000 tonnes of urea, and 165,000 tonnes of nitrogen-based fertilisers. Even so, Pemex meets only around 30 per cent of national fertiliser demand, with the remainder still sourced through imports. The government's Fertilisers for Well-Being programme — which distributes free fertilisers to over two million small-scale farmers across more than 3.3 million hectares, a commitment enshrined in the constitution in 2025 — underscores why closing that gap is both commercially and politically important.

The Pemex plan targets production of 849,000 tonnes per year of petrochemicals and over 4 million tonnes per year of fertilisers by 2030, up from a combined baseline of roughly 1.14 million tonnes across all product lines in 2026. Of the total 93 billion pesos, 43.5 billion comes from public funding and 49.5 billion from mixed (public-private) sources.

The plan spans five product-based projects across six Veracruz sites and the programme claims roughly 21,900 direct and 54,100 indirect jobs at full buildout. The Ethane-Ethylene project (30 billion pesos) rehabilitates five plants each at CPQ Cangrejera and CPQ Morelos, targeting 520,000 tonnes per year over 36 months. The Aromatics project (11 billion pesos) targets eight plants at CPQ Cangrejera for 329,000 tonnes per year over 30 months. The Ammonia project (13 billion pesos) rehabilitates two plants at CPQ Cosoleacaque toward a 957,000-tonne annual target — a facility that also houses four of Mexico's key ammonia production plants currently undergoing recovery. The Fertinal-ProAgro project (13.7 billion pesos, fully mixed-finance) restores urea and phosphate production at Lázaro Cárdenas and Coatzacoalcos, targeting 2.4 million tonnes per year. The Escolín project in Poza Rica (25.3 billion pesos, fully mixed-finance) is the sole greenfield component, being developed through a partnership between Pemex Industrial Transformation and Mota-Engil, with new ammonia and urea plants plus a granulation unit targeting 708,000 tonnes per year (including AdBlue) over 42 months.

There is a substantial history of troubled and unfulfilled ambitions in this sector; several of the assets now slated for rehabilitation have complicated backstories. Both the Fertinal complex in Lázaro Cárdenas and the former Agronitrogenados facility — acquired from steelmaker AHMSA during the Peña Nieto years in a procurement tainted by the Odebrecht corruption scandal — were purchased in poor condition and have never operated at design capacity despite years of remediation spending. Fertinal had been out of service for 14 years at the time of its 2014 acquisition, and production has remained intermittent, partly due to chronic ammonia supply constraints from Cosoleacaque, the same complex now targeted under the new programme.

Escolín was originally contracted to Mota-Engil at a reported cost of USD 3.65 billion with a February 2026 target start date, but the complex remains non-operational — the government presentation's own data shows zero current production against a 2030 target of 708,000 tonnes.

Structural risks flagged at contracting remain unresolved: Pemex's declining gas production creates uncertainty around the take-or-pay natural gas supply commitment, a dynamic with direct precedent in the company's 2021 forced renegotiation of its ethane supply contract with Braskem Idesa (now in default on its bonds in part because its paying more for its ethane than originally agreed).

The economics of the fertiliser business as historically structured are also a concern: the bulk of Pemex's fertiliser output has been distributed through welfare programmes at below-market prices, with the remainder sold at rates that do not cover production costs — generating persistent losses in the segment prior to the consolidation of Pemex's subsidiaries.

Meanwhile, investment is flowing into fertiliser and petrochemical capacity outside the Pemex orbit. In Lerdo, Durango, Mexican firm Fermaca Dreams has broken ground on the Agronitrogenados Fermachem plant — a USD 1.5-billion-plus complex spanning 150 hectares with designed capacity of one million tonnes of urea per year, incorporating carbon capture and autogenerated power, and targeting both the domestic market and exports to the United States and Latin America. With Mexico importing 80 per cent of its total urea consumption from abroad, Fermachem alone would cover around 58 per cent of last year's import volume. Gas supply will run through infrastructure originally developed by Fermaca and now operated by Essentia Energy, which signed a supply agreement at the groundbreaking ceremony.

As covered in a previous edition of this newsletter, Swiss-German group Proman is developing a three-phase petrochemical complex nearly 15 years in the making in Topolobampo, Sinaloa, after its original 2011–2012 port lease attempt was blocked by Pemex under then-director Emilio Lozoya in a move now subject to criminal investigation. Phase one targets 800,000 tonnes per year of ammonia at a USD 1.3 billion investment, with subsequent urea and methanol phases bringing total estimated investment to USD 5 billion. Proman has secured US natural gas supply via existing pipeline infrastructure and German development financing, and explicitly positions its north-west-focused output as complementary to Pemex's south-eastern operations.

Running alongside the Proman project at Topolobampo is Pacífico Mexinol, developed by Transition Industries LLC, which would become the world's largest low-carbon methanol facility at 1.8 million tonnes per year of blue methanol and 350,000 tonnes of green methanol.

Carpio described strengthening the petrochemical and fertiliser value chain as a foundational pillar of Mexico's food security and sovereignty.

In short, the sector sits at the intersection of constrained public policy, private capital, geopolitical price pressures and unresolved legacy liabilities. How quickly Pemex can narrow its deficits and improve profitability will depend on the pace of progress on each of these fronts.

A Test Drive for Olinia 1

President Sheinbaum officially presented Olinia 1 on 7 June at the Santa Lucía Air Force Base in Zumpango, driving the vehicle onto the stage herself before declaring "mission accomplished." The name for the Mexican EV comes from the Nahuatl word for "movement" and the project was developed by researchers from public institutions, including the IPN and the Tecnológico Nacional de México.

Olinia 1 will be priced at 150,000 pesos including VAT. It carries a 14.7 kWh battery positioned beneath the rear seat, a top speed of 50 km/h suited to urban use, and a range of over 125 kilometres per charge. The motor has an estimated service life of eight years. The vehicle can be charged from any standard household or commercial outlet, and also adopts the NACS charging standard (the connector developed by Tesla and now widely used across North America) allowing access to a broader charging network. Operating cost is 49 centavos per kilometre; for a driver covering 75 km per day, projected annual fuel savings exceed 50,000 pesos. The vehicle can carry up to six passengers and has space to accommodate a wheelchair user.

The cargo version will be presented in July 2026, series production begins in the first quarter of 2027 and commercial sales open in the third quarter of 2027. The government is also working to install 2,000 charging points across Mexico City, State of Mexico, and Puebla — the three states where it initially intends to replace conventional taxis with Olinia units.

Olinia's NACS compatibility is a deliberate strategy to sidestep one of the largest structural barriers to EV adoption in Mexico: an inadequate and unevenly distributed public charging network. Mexico currently has around 210,000 electric vehicles within a total registered fleet of 63 million units, and carries approximately 41 EVs per public charger — compared to a global average of 2.6. Of the 56,726 connectors counted at the end of 2025, more than 52,000 belong to private networks in homes, dealerships, and corporate fleets. Electromobility specialist Lessli Ramírez of Linking Minds described the problem as structural: the current network effectively compels users to rely on private home installation rather than accessible public infrastructure.

The production question remains the key unresolved step, and probably the hardest one. Mexican press reports before the launch said the federal government was looking for a private partner to help take Olinia from prototype to industrial manufacturing, including the installation of production lines needed to build the vehicle at scale. El País has also reported that the business model is expected to involve mixed public and private investment, with an initial goal of reaching 50,000 units of annual capacity. That makes the project less a purely state-built vehicle than a test of whether public R&D can be converted into a commercially viable manufacturing platform. The challenge is that private manufacturers may be cautious about attaching capital, execution risk and reputational exposure to a government-led project, particularly one with a somewhat primitive design, political deadlines, uncertain procurement mechanics and potentially limited pricing flexibility.

Meanwhile, the private EV market is diversifying rapidly. According to a survey by the Electric Mobility Association (EMA), 35 per cent of EV users in Mexico drive a BYD — making it the most-used brand — while Tesla is second at 17 per cent, followed by Volvo at 16 per cent and Zeekr, BMW, and JAC at 7 per cent each. That shift in the vehicle fleet has reshaped the charging market. The charging station market was valued at USD 331.3 million in 2025 and is projected to reach USD 3.56 billion by 2034.

Dominican-origin operator Evergo has announced it will scale investment from USD 200 million to USD 400 million to deploy up to 15,000 charge ports over the next decade. Mexican firm VEMO, founded in 2021, holds 22 per cent of the charger market and operates the largest charging station in Latin America — 104 connectors in San Pedro de los Pinos, Mexico City — primarily serving BYD vehicles on Uber and DiDi platforms. Tesla, now third in charger usage at 21 per cent, has opened its previously closed network to vehicles from Volvo, General Motors, and Ford. Mexican firm Fazt, founded in 2023, has grown its share to 13 per cent through agreements with retailers including Soriana. Despite this expansion, five in ten users consider highway coverage insufficient, particularly on routes towards Acapulco, Querétaro, Guadalajara, Cuernavaca, Puebla, and Veracruz.

The longer-term stakes are considerably higher. Sener projections indicate that the EV fleet could reach 60 million vehicles by 2040, generating an additional demand of 13,000 MW on the national grid — equivalent to the consumption of between 8 and 12 million households. Meeting that demand requires simultaneous action on generation, transmission, and charging infrastructure.

Specific highway charging corridors are in development, including one in Tamaulipas connecting Tampico, Ciudad Victoria, Monterrey, and the northern border, and a project in Chetumal, Quintana Roo, designed to serve both overnight electric buses and daytime private vehicles. The Senate's energy committee chair, Beatriz Robles Gutiérrez, put it plainly: “without charging infrastructure, no transition is possible.”

The price point positions Olinia as one of the more accessible electric vehicles on the Mexican market. Whether the project's ambitions survive contact with the production and certification process — and whether the taxi-replacement scheme generates the institutional buy-in required to scale — will determine Olinia's impact beyond its symbolic weight.

Solar Dominates, Wind Falls Short in CFE Tender

CFE's first mixed-investment tender for renewable energy projects concluded with the award of 37 projects totalling 7,411 MW — equivalent to 114 per cent of the 6,500 MW target set by Sener. The implied investment is approximately USD 7.4 billion, and the volume awarded matches the entire capacity assigned through long-term auctions across the Peña Nieto administration. Under the new mixed-contract model, CFE partners with private companies to co-develop and co-finance generating facilities, sharing investment and risk — a departure from the previous auction framework under which private operators functioned more independently.

The process began with more than 200 projects and nearly 38 GW under evaluation, narrowing to a final stage of 40 companies before 37 projects from 31 developers made the cut. Cubico México emerged as the lead winner with four projects; Eléctrica Aselco secured three, while Atlántica Renewable Power México and Solarig each won two. Further awarded developers include Thermion Energy, GP Renewables de México, Elawan, Freeman Energy, SQ Infraestructura, Sol de Sonora, and Global Solar America 3, among others. Notable by their absence are the largest global renewable developers, suggesting either risk appetite concerns about the mixed-contract structure or insufficient return expectations; a reminder that while investor interest is improving, the CFE ownership requirement of at least 54 per cent of national electricity assets remains a point of contention, including in the USMCA negotiations.

The technology breakdown is uneven. Solar photovoltaic projects received approximately 6,710 MW in awards against a requirement of 3,550 MW — a significant oversubscription — while wind capacity awarded reached only 700 MW against a target of 2,850 MW, a coverage rate of just 24.6 per cent. Concentrated solar power received no awards at all despite a 100 MW target. The solar-heavy outcome reflects a global shift in developer economics: photovoltaic costs have fallen to the point where solar consistently outcompetes wind on returns, making wind harder to attract under competitive or quasi-competitive frameworks regardless of system need. That dynamic complicates Mexico's grid planning, given that wind and solar have different generation profiles and complementary value to system reliability.

Geographically, the Yucatán Peninsula and the north-east together accounted for 20 of the 37 awarded projects. The western region saw significant underperformance, with only 310 MW awarded against a 1,540 MW requirement (roughly 20 per cent coverage) and 16 processes declared void, pointing to transmission constraints and insufficient developer interest in parts of the country. Of the 46 failed processes, rejections stemmed from absent bids, network saturation, technical non-viability, or pricing deemed uncompetitive: rejected proposals offered IRRs of 14–16 per cent and prices as high as USD 300-plus per MWh for hybrid parks, while awarded projects came in below the 14 per cent threshold at considerably more competitive energy prices.

Sener has launched follow-on calls covering renewables, storage, and self-supply, with fully private projects now permissible alongside the mixed-CFE scheme. CFE has not yet confirmed construction timelines for awarded projects, and how many reach financial close remains open — particularly given that BloombergNEF estimates Mexico needs to add nearly 30 GW to its roughly 100 GW grid by 2030, against a backdrop of demand growing at 3 per cent nationally and up to 6 per cent in industrial hubs like Querétaro, a grid prone to seasonal blackouts, and public spending commitments that remain well short of the USD 56 billion Sheinbaum says the sector requires.

Missing Crude or Miscalculation?

Francisco Barnés de Castro, who served as the former under-secretary of energy and director general of the Instituto Mexicano del Petróleo, set off a public dispute with Pemex after telling *Aristegui en Vivo* that the company's own financial reports point to a crude inventory discrepancy of approximately 100,000 barrels per day in the first quarter of 2026. That figure doubles the average recorded during 2025 and raises questions either about the accuracy of Pemex's reported accounts or about a significant increase in crude theft.

Barnés derived the figure by cross-referencing publicly available data on production, exports, and crude sent to refining — three variables that, taken together, leave a gap he asserts is too large to attribute to spills or measurement tolerances. "There are two possibilities," he said: "either there is an error in the figures reported by Pemex in its financial statements, or there has been an enormous increase in crude theft."

Pemex pushed back with a formal statement, calling the analysis false and claiming that illegal extraction in the first quarter of 2026 actually fell 30.3 per cent compared with the same period a year earlier. The company argued the discrepancy cited by Barnés fails to account for operational movements — packaging, unpackaging, and volumetric adjustments for temperature — that are standard elements of any volumetric balance.

Barnés replied that the figure is far too large to be explained by operational adjustments, particularly given that audited financial reports for each of the three preceding years show a standing discrepancy of around 50,000 barrels per day in the same accounts. He also noted that recently published data from the Sistema de Información Energética suggests the first-quarter gap may be even larger than his initial estimate, because the volume of crude processed by the national refining system is lower than what Pemex reported in its financial statements.

The exchange sits within a longer trend Barnés has long been tracking. Crude theft appeared to decline in the early years of the AMLO administration, running at around 15,000–20,000 barrels per day in 2021–22, before re-escalating to more than 50,000 barrels per day in 2023, 2024, and 2025 — a pattern he said is consistent with US legal proceedings related to the illegal import of Mexican crude. He puts the cost of crude theft in 2025 alone at approximately USD 1.2 billion.

Huachicol (fuel siphoned from pipelines via clandestine taps) peaked at nearly 80,000 barrels per day at the end of the Peña Nieto administration, fell sharply to around 10,000 barrels per day by 2021, but climbed back to roughly 40,000 barrels per day between 2022 and 2024 and an estimated 60,000 barrels per day in 2025. Preliminary first-quarter 2026 data suggest some reduction in this category.

Fuel import smuggling (huachicol fiscal) expanded from 2019 onwards and peaked at an estimated 140,000 barrels per day in 2021, falling to around 90,000 barrels per day in 2024. Barnés noted these volumes cannot move by tanker truck — they require full train convoys or vessels. He estimates the fiscal cost of fuel smuggling in 2025 at around 40 billion pesos.

Taken together across all three categories, Barnés calculates the damage to Pemex and the public finances over the past two years at between 120 billion and 125 billion pesos — roughly split evenly between losses to the company and to the treasury. Stretching the window to seven years, and weighting primarily the five most recent, he estimates total accumulated losses at around 740 billion pesos — a figure he notes dwarfs highly-publicized corruption scandals such as La Estafa Maestra and Segalmex.

Pemex's regulatory disclosures to the BMV, CNBV, and SEC are publicly accessible, but the lag in the Energy Ministry's own information system (which has only published hydrocarbon data through January 2026) means independent verification of Q1 figures remains constrained. Whether the discrepancy reflects accounting methodology, operational losses, or theft at a historically unprecedented scale, the numbers Barnés is working from come from Pemex's own financial reports.

Meanwhile, fuel smuggling has been getting increased attention in the US from both law enforcement and legislators. Ikon Midstream, a Houston-based petroleum trader whose offices were raided by US authorities in April, is under investigation in Mexico in connection with fuel smuggling; Mexican authorities consider the company among the "central pieces" in a suspected scheme linked to the Jalisco New Generation Cartel (CJNG). The trader has denied wrongdoing, stating it has never knowingly provided material support to CJNG. Mexico's anti-corruption ministry is overseeing internal probes at the ports of Guaymas, Tampico, and Ensenada, as well as within the Navy and customs agency.

On the legislative front, Republican Senator John Cornyn and Democratic Senator Jacky Rosen introduced the "Stop Fueling Cartel Violence Act" in May, which would require the US Department of War to report to Congress on recommendations to counter hydrocarbon smuggling by transnational criminal organisations, including through capacity building with partner nations and information sharing with civilian agencies. Fuel theft is considered the most significant source of non-drug revenue for cartels in Mexico, and the Trump administration has already sanctioned individuals allegedly involved in networks generating hundreds of millions of dollars in annual cartel profits. The legislation stops short of direct operational measures, but its introduction signals that Mexican hydrocarbon theft is increasingly on the US national security radar and political agenda.

In other energy news…

LNG Terminal in Coatzacoalcos, the Isthmus Gas Bet: The Coatzacoalcos LNG project is emerging as one of the most ambitious energy investments linked to the Interoceanic Corridor. Backed by a USD 1.8 billion investment from the Ursus-Aqualita consortium, the terminal would liquefy natural gas for export while supplying industrial demand across south-eastern Mexico through rail and pipeline connections. Recent support from Bancomext and the granting of a land concession by the Interoceanic Corridor authority suggest the project is gaining momentum, although key environmental and energy permits remain pending. The project also reflects a broader trend in Mexico's energy strategy: while the government continues to champion energy sovereignty, much of the business model depends on processing and exporting US natural gas to global markets.

AHMSA Auction: A federal judge has authorised the joint auction of steelmaker Altos Hornos de México (AHMSA) and its subsidiary Minera del Norte (Minosa) as a single productive unit, with preferred bidder status granted to their principal secured creditors. Judge Ruth Huerta approved — with minor modifications — a special sale procedure proposed by bankruptcy trustee Víctor Manuel Aguilera, accepting his argument that selling AHMSA and Minosa as a combined consortium is the only way to make the assets attractive to investors. The trustee has three days to propose auction terms; a bid hearing will follow within 60 days of judicial approval, meaning no later than mid-August.

The reserve price remains USD 1.326 billion, with a USD 66 million good-faith deposit required to participate — unchanged from a first auction declared void in February after resistance from secured creditors including Cargill and Banca Afirme. Under the new procedure, those secured creditors — along with Unifin, Caterpillar, Pemex, and Tubacero — will automatically qualify as bidders and will have speaking rights during the bid hearing, a privilege designed to encourage their voluntary participation even if offers fall below the reference price. The judge also ruled that all labour obligations, including severance entitlements beyond unpaid wages, will take priority over all other creditors, and committed the court to actively monitoring workers' constitutional rights under Article 123.

Fracking Without the Budget: Mexico's shale gas debate is increasingly colliding with financial reality. While the federal government has been signalling greater openness towards unconventional resources as part of its energy security strategy, analysts argue Pemex lacks the capital required to launch a meaningful fracking programme. Exploration spending has fallen significantly in recent years, and current investment plans remain well below the levels required to develop major shale basins such as Burgos and Sabinas, despite their substantial resource potential. The contradiction is becoming harder to ignore. Mexico continues importing roughly three quarters of the natural gas it consumes from the United States, which given the low price of imported US gas, enables Mexico to provide consumers and industries electricity at a (much more) competitive cost. Yet this low cost of US gas (combined with Mexico's regulatory uncertainty, environmental opposition, and expensive capital) makes it very difficult for Mexico to profitably develop its own domestic shale resources.

Another Oil Slick, Another Credibility Test: A new oil slick reported in Manzanillo has become another reputational challenge for Pemex, even though the company insists its facilities were not responsible. Following inspections of its maritime terminal, Pemex stated that no leaks or operational incidents were detected, while authorities continue investigating whether the contamination originated from a vessel or another source. The problem for Pemex is that the incident arrives only weeks after the company was forced to acknowledge responsibility for the massive Abkatún spill in the Gulf of Mexico. Regardless of the final findings, repeated contamination events are increasing scrutiny of Mexico's hydrocarbon infrastructure and making environmental credibility challenging to maintain.

Costa Azul Joins the LNG Export Club: The start of LNG production at the Costa Azul terminal marks a significant milestone for Mexico's role in global gas markets. Developed by Sempra Infrastructure alongside TotalEnergies and Mitsui, the facility transforms Baja California into a Pacific gateway for North American natural gas, allowing cargoes to reach Asian markets more quickly than many competing projects on the US Gulf Coast. Beyond the project itself, Costa Azul reflects a broader shift in Mexico's energy position. While the country remains heavily dependent on imported US gas, it is simultaneously becoming an export platform for that same resource. The terminal reinforces Mexico's strategic role within North American energy supply chains and highlights how LNG continues to gain importance as both an industrial and geopolitical asset.

Pemex's New CEO Signals Pragmatism: Juan Carlos Carpio's first major public appearance as Pemex CEO suggests that financial discipline may become the company's defining theme over the coming years. Speaking at the Mexican Petroleum Congress, Carpio reaffirmed the government's energy sovereignty agenda but devoted considerable attention to operational efficiency, cost optimisation, and the need to direct resources towards projects capable of generating tangible value. He also highlighted mixed investment schemes, exploration activity, and continued support for refining, petrochemicals, and cogeneration projects.

The emphasis is notable given Carpio's background as Pemex's former chief financial officer. While there were no major strategic announcements, his remarks pointed towards a pragmatic approach that combines production goals with fiscal discipline and selective co-operation with private partners. For investors and creditors, the signal was clear: before expansion comes balance sheet management.