Mexico Energy Chatter

July 22, 2026

Upstream and Downstream Exposure

Oil markets remain on edge as the ceasefire in the Middle East has been unravelling, keeping crude prices elevated and adding to the fiscal strain on the combination of Mexico's federal government and Pemex, which by freezing domestic fuel prices, are net losers from the conflict.

Moody's published a sector report this week comparing how government policy shapes the credit benefit that high oil prices deliver to Latin America's national oil companies. Its conclusion: elevated commodity prices and solid operating performance won't necessarily translate into stronger credit quality, since companies with weaker balance sheets and less diversified revenue absorb policy-related shocks and delayed sovereign payments far less easily than better-capitalised peers.

Pemex (B1 stable) comes out worst in the comparison. It is the only company in Moody's six-name group — alongside Petrobras, Ecopetrol, YPF, Enap and Petroperú — flagged red across all four risk categories: net credit risk, upstream exposure, downstream exposure and intensity of policy intervention.

High prices do give Pemex somewhat more room to manoeuvre commercially, as shown by the recent shipment of 1 million barrels to Japan, which arrived on 17 July at Cosmo Oil refineries. But that upside is dwarfed by the fiscal drag for the government on the other side of the ledger, as we've covered in previous editions. Hacienda has raised IEPS stimulus payments over the past three weeks; for the 18–24 July period, it granted an 8.27% subsidy on Premium petrol and 50.64% on diesel. The result is that federal tax receipts decline as market prices rise, but thin downstream margins mean Pemex can't recover that value on the sales side.

Mexico's energy sovereignty strategy compounds this. By prioritising domestic refining over crude exports, it cuts Pemex out of the export markets where high prices would otherwise flow straight to the bottom line. Crude exports fell 28% in 2025 to around 581,000 bpd, deepening Pemex's reliance on structurally weaker downstream margins and high operating costs — a trend Moody's data shows worsening steadily since 2022, with operating margin compressed from roughly 25% then to an estimated 5–10% by 2027–28 before a modest recovery.

The contrast Moody's draws with Petrobras is instructive. Brazil's NOC generates USD 5 billion in additional operating cash flow for every USD 10/bbl rise in Brent, and threequarters of its EBITDA now comes from upstream after cutting refining capacity by roughly 20% — insulating it from exactly the downstream squeeze that defines Pemex's problem. Ecopetrol and YPF face their own versions of price-control drag (via Colombia's FEPC stabilisation fund and Argentina's ad hoc price freezes respectively), but neither carries Pemex's combination of high leverage, weak liquidity and total policy exposure.

Moody's projects negative free cash flow for Pemex at least until 2028, cementing dependence on state support: the government provided over USD 40 billion in 2025 and has budgeted roughly USD 14 billion for 2026 — about 0.7% of GDP — just to cover near-term maturities.

That cash-flow squeeze is already visible further down the payment chain. The Mexican Association of Oilfield Services Companies (AMESPAC), which represents nearly 50 service providers, said this week that Pemex owes its members some 27.24 billion pesos (roughly USD 1.55 billion) and accused the company of "serious irregularities" in its payment processes.

In an open letter to President Sheinbaum and the heads of Hacienda, Energy and Economy, plus Pemex chief Juan Carlos Carpio Fragoso, the association said outstanding 2024 invoices — and even completed work that Pemex has yet to allow its members to formally invoice through its COPADE payment system — remain unresolved, with 2025 and 2026 obligations only "partially covered". AMESPAC warned the uncertainty has severely strained the domestic oil services supply chain and is starting to compromise hydrocarbon production itself. It also flagged that member companies listed on international markets are now obliged to reflect these overdue receivables in their financial disclosures under NYSE, US GAAP and SEC rules.

The group is demanding immediate payment of validated 2024 debts, a joint working group with Pemex and federal authorities to reconcile the backlog, and a clear, verifiable mechanism for invoicing and payment going forward.

A Single Vehicle for CFE's Renewables Push

Mexican financial authorities are exploring a global financing package worth up to 80 billion pesos (roughly USD 4.6 billion) to support renewable energy and storage projects developed jointly with the CFE, Banobras director-general Jorge Alberto Mendoza said. The state development bank and the Finance Ministry (SHCP) are evaluating a "single financial vehicle" that could channel resources to multiple projects simultaneously, cutting due-diligence costs by leveraging technical evaluations the government has already carried out.

The resources would back roughly 30 projects awarded last month to 18 companies — most of them solar generation — under the first mixed tender of this kind run by the Sheinbaum administration. Mendoza said Banobras is in talks with institutional investors, Mexican pension funds and banks to structure the financing, aiming to close most of it within 12 months and a significant portion before the end of this year. The scheme would blend public resources with bank and institutional financing. Banobras is also weighing preferential-rate credit for companies that buy machinery, equipment or components manufactured in Mexico, as a way to strengthen domestic supply chains.

Mendoza framed this as part of a broader pipeline: the government plans to announce new tenders for power generation, oil, roads and ports over the next six months, all under public-private partnership (PPP) structures. He noted growing investor appetite for PPP-style projects over purely private energy initiatives, arguing that partnering with the government helps mitigate regulatory and legal risk. Large international funds, he said, are looking past the uncertainty created by US trade negotiations and geopolitical risk, wanting to secure a first-mover position in Mexico before that risk premium disappears.

CFE Responds to Querétaro's Strained Grid

Querétaro has become the capital of Mexico's data centre industry. The state is home to 72% of the country's installed data centre capacity — 202 MW concentrated in industrial parks across Colón, El Marqués and Pedro Escobedo, against a national total of 279 MW, according to the Asociación Mexicana de Data Centers (MexDC). That dwarfs every other hub in the country: Greater Mexico City holds just 9.8% (27.6 MW), Monterrey 8.6% (24 MW), with Guadalajara, Guanajuato and Yucatán trailing further behind.

That scale is precisely what makes the state's electricity problems a national concern rather than a purely local one. In the first half of 2026, Querétaro's Comisión Estatal de Aguas documented 416 electrical faults (a pace already exceeding all of 2025), while the industrial sector logged 165 voltage variations affecting automotive, aerospace and advanced manufacturing firms.

The growth of underlying demand explains why the grid is under pressure. Data centres in Querétaro currently draw 200–300 MW but that figure could climb to 1,300 MW in the short-to-medium term. MexDC itself is projecting national sector growth to 1,700 MW by 2031, and says the industry is investing USD 550 million in Querétaro's electrical infrastructure alone — substations and transmission towers that will ultimately be donated to CFE. Under this model, CENACE grants capacity approvals on the condition that operators both build their own infrastructure and separately help fund reinforcement of the national grid, a direct-investment arrangement that differs from the US, where data centres typically contract private power suppliers instead.

CFE has responded on multiple fronts with immediate action concentrated on the zones registering the most frequent supply interruptions. On 7 July, CFE brought into operation a new 400 kV transmission line to supply the Odata data centre via the Querétaro Potencia substation. That followed a sequence of increasingly senior engagements: a 1 July meeting between Governor Mauricio Kuri and CFE's state superintendent; Querétaro's participation in CFE's 29 June national coordination table with 29 states; and, in mid-July, a direct meeting between CFE director-general Emilia Calleja and Kuri. CFE disclosed that it executed 131 distribution projects in Querétaro in 2025, worth 475 million pesos and adding 160 MVA of capacity, with three further programmes underway for 2026 covering 65 additional projects, 195 million pesos in investment, and another 30 MVA of incremental capacity.

CFE has a transmission plan in place, expanding substations and reinforcing power lines, but those works will roll out gradually given their complexity. This year's priority is the distribution network instead, where CFE has committed to maintenance, equipment replacement where needed, and direct intervention at the points with the highest incidence of faults. The state government will accompany CFE on field visits to supervise the affected zones and verify that interruptions actually decline. As of 15 July, CFE had begun reorganising personnel to prioritise the most-affected areas while the substation-expansion and transmission-strengthening projects continue in parallel.

Querétaro's data centre boom is a genuine economic asset, but the pace of demand growth (potentially quadrupling within a few years) is running ahead of the distribution network's capacity to keep up, which is why increased investment is vital (and to be fair, seems to be happening, with material help from the data center companies themselves).

Risky Refinery Business

On 20 July, Pemex reported a crude oil leak and small fire at a loading pump at the Olmeca refinery in Dos Bocas, Tabasco, quickly extinguished with no injuries; the same day, heavy overnight rain flooded drainage at the Salamanca refinery in Guanajuato, triggering a minor fire and one minor worker injury. Both refineries were said to be operating normally.

Each incident was contained quickly and without major injury, but the pattern — fires, unplanned stoppages and emergency maintenance recurring across the national refinery system — carries a direct, quantifiable cost in asset value, not just an operational one.

Pemex's first-quarter 2026 results recognised a net asset impairment of 14.32 billion pesos, driven by unplanned shutdowns that squeezed margins and disrupted feedstock supply. This is more than double the 5.62 billion pesos recorded a year earlier, pointing to operational problems. Of the total, 12.4 billion pesos was concentrated in the Industrial Processes and Energy Transformation segments; Pemex's SEC filing attributed it principally to reduced gross margin from unscheduled stoppages and lower feedstock supply.

The bottom-line impact: a net loss of 45.99 billion pesos for January-March, up from 43.33 billion a year earlier, with revenue down 29.8 billion pesos, mainly on lower crude exports. Lower costs partially cushioned the blow, but the message is unchanged: refining remains Pemex's principal point of vulnerability.

On a single-month crude-throughput basis, May was bleak: as reported in our last edition, the Sistema Nacional de Refinación processed 941,158 bpd of crude, down 11.8% from April and the first month below 1 million bpd since August — a nine-month low. Refined-product output fell 9.1% to 951,166 bpd, with utilisation sliding to 47.5%. Five of seven refineries processed less crude than in April, led by a 52.5% collapse at Minatitlán and a 40.2% drop at Salina Cruz after an 11 May fire injured six people. Salamanca was the exception, up 69.1% to 94,216 bpd. That slump followed a strong first quarter, when crude processing had risen 21.9% year-on-year to 1.141 million bpd — an eleven-year high.

However, when looking at cumulative refined-product output averaged from January to May, the plant-level picture changes. On that basis, Tula is Pemex's most productive refinery, not Salamanca: it averaged 228,500 bpd of refined products over the five months, up 8.5% year-on-year and accounting for a fifth of Pemex's total refined-product output system-wide. Salina Cruz ranks second and Dos Bocas third, despite both posting a rough May. Salamanca and Madero remain Pemex's two lowest-output refineries on the five-month average, even after Salamanca's standout May — a reminder that a strong single-month rebound doesn't necessarily change a plant's underlying ranking if it's climbing from a very low base.

Analyst Ramsés Pech told Bloomberg Línea that because Tula's long-delayed coker unit — begun in 2014, stalled in 2018, revived with a USD 3 billion López Obrador-era investment that itself slipped from 2023 — is now running, it adds 80,000-90,000 bpd of conversion capacity, letting Tula process Maya crude more efficiently into higher-value fuels.

However, as long as stoppages keep costing billions of pesos and accidents remain routine, Pemex's central challenge won't just be reducing its debt, it will be proving its infrastructure is adequate enough.

Slim’s Stake

Grupo Carso, Carlos Slim's conglomerate, has reached a binding agreement to acquire TotalEnergies' 30% stake in Block 30, a production-sharing contract in shallow waters of the Gulf of Mexico's Salina del Istmo basin. UK-based Harbour Energy retains the remaining 70% and stays on as operator; closing remains subject to regulatory approval, and neither company has disclosed the transaction value.

The block's principal asset is the KAN field: light oil, wells 3,300-3,750 metres deep, a water depth of 40-50 metres, and a surface area of 30.5 km^2. The contract was awarded by the CNH in April 2018 with a 25-year term. Carso will make the acquisition through Mx Delta NRG 1, a subsidiary of Zamajal — the group's hydrocarbons exploration and production arm, 80% owned by Carso and 20% by Control Empresarial de Capitales.

The deal extends Slim's presence in the segments of Mexico's oil and gas sector that sit outside state control, and comes as Pemex is seeking private partners to reverse declining crude output and shore up its finances (Slim has said this year that his companies would avoid new joint ventures with Pemex). It also follows Carso's January purchase of Fieldwood Mexico from Russia's Lukoil, which consolidated full control of two major Gulf fields, and a USD 2 billion contract signed with Pemex last year to drill more than 30 wells at the Ixachi field — a project Slim has said could roughly double that field's output to around 200,000 bpd within three years. Other recent moves, including stakes in Talos Energy and US refiner PBF Energy, have already made Carso Pemex's largest private-sector partner.

Slim has forecast that Mexico's total oil and gas output could reach as much as 2.5 million bpd with private-sector support, well above Pemex's own April crude and condensate output of 1.65 million bpd.

From History-Maker to Huachicol Suspect

Another week, another revelation of a major fuel-smuggling network — each bigger than the last — with politicians implicated. But politicians from the opposition PAN, not the ruling Morena party.

On 16 July federal law enforcement arrested Ernesto Ruffo Appel, Baja California's PAN governor from long ago 1989 to 1995 and the first opposition governor in modern Mexican history, on suspicion of organised crime and hydrocarbons contraband. Ruffo is majority shareholder of Ingemar, S.A. de C.V., a fuel-import logistics firm he founded in 2018 and formally joined as shareholder and board secretary in 2021. Ingemar's name surfaced after the July 2025 seizure of 129 rail tank cars in Saltillo and Ramos Arizpe, Coahuila, carrying more than 15 million litres of fuel without valid customs documentation.

Attorney General Ernestina Godoy Ramos called it the largest fuel-contraband (huachicol fiscal) network detected to date, with losses to the federal treasury estimated at 4 billion pesos in unpaid taxes between January and July 2025 alone. Prosecutors allege Ruffo and his co-defendants ran the scheme through 11 shell companies, bringing over 18 million litres of diesel and petrol into the country across 163 tank cars declared as additives, oils or waste, or under-reported, to dodge import duties before selling the fuel domestically outside authorised channels.

Judge Alejandra Ramírez de la Vega ordered pre-trial detention on 19 July for Ruffo and four co-defendants, all sent to the Altiplano maximum-security prison; two more remain under house arrest for health reasons, and another was sent to Cereso Nezahualcóyotl Sur, bringing the total to eight suspects. The formal charging hearing resumed 21 July at Almoloya's federal criminal justice centre, with a ruling on whether to proceed against Ruffo and four others still pending.

Ruffo has filed two amparos — one against the arrest warrant, filed the day he was detained, and a second alleging due-process violations since. A district judge admitted the latter for review but hasn't said whether provisional suspension was granted.

Ruffo’s defence, led by former PAN interior minister and top criminal lawyer Fernando Gómez Mont, argues that prosecutors are stretching the concept of criminal responsibility far beyond the available evidence. Gómez Mont says Ingemar was legally authorised to import fuel and hired the transport company Kevinson, with which it had no prior relationship, to complete the distribution process. While prosecutors allege Kevinson unlawfully brought millions of litres of fuel into Mexico, the defence insists Ruffo was merely a client and had no control over the company, no knowledge of any illegal transport and no direct benefit from it. Gómez Mont also points out that no Kevinson executive has been detained, even as authorities seek to hold Ruffo responsible for the wider chain.

If that account emerges as factually accurate, the case could become a test of the independence of Mexico’s newly reconfigured Morena-friendly judiciary. And of course, opposition figures are asking why no senior Morena politicians have (yet) been apprehended, given that huachicol fiscal appears to have expanded markedly under AMLO’s presidency, and during Morena’s control of most state governorships.

The case has mobilised opposition figures: PAN Senator Kenia López has called Ruffo a "political prisoner," and former presidents Calderón and Fox have defended him. Ruffo had recently joined the newly registered opposition party Somos México as an advisory council member.

The arrest comes as Baja California's current Morena governor, Marina del Pilar Ávila, faces a scandal of her own. Leaked recordings appear to show her telling contacts she could share information from joint local-federal security meetings to help recover the US visa Washington revoked last year. In the calls, she discusses having met US authorities and voices fear of arrest, extradition, or having her accounts frozen by OFAC. She has since said the calls were solely about restoring her visa, whose revocation Washington has never explained.

Morena has pushed back on any suggestion of political persecution, as one would expect. National party president Ariadna Montiel said the FGR investigation ran more than a year and identified at least 25 people tied to fuel trafficking, spanning companies, customs agents and other suspects. She accused the opposition of casting Ruffo as a victim, noting that many of his current defenders had previously demanded a crackdown on huachicol fiscal, insisting the case reflects an independent investigation rather than a smokescreen or political revenge.

Chatter Box

A New Route to Asia? Japan has received a roughly one-million-barrel cargo of Mexican crude supplied by Pemex's trading arm PMI and destined for Cosmo Oil, as Japanese refiners sought to diversify supplies amid heightened disruption and security risks around the Strait of Hormuz. The shipment, which arrived in Yokkaichi on July 17, represents an unusual purchase for a country that sources around 94% of its crude imports from the Middle East. While publicly available information suggests this was a one-off commercial transaction rather than the start of a long-term supply agreement, it underscores the flexibility of Mexico's export portfolio.

Beyond the cargo itself, the shipment illustrates how geopolitical tensions are reshaping global oil trade flows. For Japan, it highlights the search for alternative suppliers; for Mexico, it demonstrates that Pemex continues to find export opportunities in Asia despite the government's emphasis on domestic refining. Whether this evolves into a recurring commercial relationship remains unclear, but the transaction reinforces Mexico's potential role as an opportunistic supplier when traditional energy routes come under pressure.

CFE's Mixed-Investment Model Faces Its First Real Test. Mexico's new electricity model has moved from regulation to implementation after Polaris Renewable Energy signed the first publicly confirmed mixed-investment agreement under CFE's new framework. The 30-year contract covers three solar-plus-storage projects in Quintana Roo, Tlaxcala and Sinaloa, representing more than US$217 million in investment. Under the scheme introduced earlier this year, CFE retains majority ownership while private partners provide capital and project development expertise.

The agreement is significant because it transforms one of the administration's flagship energy reforms into a bankable project. While industry reports suggest dozens of projects were awarded under the first bidding round, Polaris remains the clearest example that the model can move beyond policy announcements. The next challenge will be execution: investors will now be watching whether additional projects reach financial close and whether the framework can consistently attract private capital under rules that preserve state control.

Charging Ahead. Mexico's electric vehicle charging network expanded 17.5% year-on-year during the first half of 2026, reaching more than 60,900 charging connections, according to the latest Electromobility Barometer published by EMA. Public charging infrastructure also continued to grow, with publicly accessible charging positions increasing 27% compared to a year earlier. The figures reflect steady progress as EV adoption accelerates across the country.

The headline numbers, however, mask an important reality. Much of Mexico's charging infrastructure remains concentrated in private, residential and corporate installations, while the public fast-charging network continues to lag behind the pace of vehicle adoption. As electrification gains momentum, expanding publicly accessible charging corridors—and improving transparency on network availability—will become increasingly important for both consumers and power system planning.

The Solar Industry Takes the Stage. Mexico's solar industry will gather once again at Intersolar Mexico from September 1–3 in Mexico City, with organisers expecting more than 300 exhibitors and 10,000 visitors from over 35 countries. The event comes as the country's renewable sector navigates a new regulatory landscape shaped by CFE's mixed-investment model, growing battery deployment and renewed attention to distributed generation.

This year's edition arrives at a pivotal moment. Solar deployment continues to expand, while storage is rapidly becoming a core element of new projects rather than an emerging technology. Against a backdrop of transmission bottlenecks and evolving market rules, Intersolar is likely to serve as an important barometer of investor confidence, revealing whether developers and equipment suppliers view Mexico's new electricity framework as capable of supporting the next phase of renewable investment.