

Mexico Energy Chatter

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Mexico's diesel storage gap meets Washington's export threat

As the government prepared to present the first conclusions of the council studying whether Mexico should turn to fracking to raise natural gas output, President Claudia Sheinbaum stressed that the issue went beyond economics to energy security. The choice of word mattered: security, rather than sovereignty alone, the touchstone of Andrés Manuel López Obrador's movement. She cited the risk that Washington might cut off natural gas flows to Mexico, a scenario that has gained relevance in Donald Trump's second term as he threatened to restrict US diesel exports.

The muted US diesel export ban (which would go against USMCA but that has not stopped Trump before) for now seems more political signal than policy, aimed at showing concern over soaring US fuel prices ahead of the midterm elections than an actual policy change. But for Mexico it is an uncomfortable reminder of how dependent its energy system remains on the USA.

It is obviously uncontested that if Mexico refined more of its own crude it would need to import less fuel. That indeed was the rationale for the Dos Bocas refinery, even if its cost has exceeded US\$21 billion, against an original promise of about US\$8 billion. But even after that enormous investment Mexico remains exposed to any serious interruption in US supplies.

According to the Observatorio Ciudadano de la Energía (OCE), Mexico's dependence on US diesel imports, legal and illegal, fell from about 70 per cent of consumption in 2021 to 44 per cent in the first half of 2026. That is a significant improvement, but still a long way from the self-sufficiency once promised by the government.

Fuel smuggling complicates the picture. Francisco Barnés de Castro of the OCE estimates huachicol fiscal by comparing the diesel the US reports exporting to Mexico with the volume Mexico records as legally imported. His figures show that smuggling dropped after its 2021 peak, when it supplied about a quarter of Mexican diesel demand. Since then it has fluctuated within a range that Barnés describes as reasonably constant, and in recent months it has begun rising again.

Illegal imports averaged about 47,000 barrels a day in 2025, or 10 per cent of demand. In the first half of 2026 they averaged 55,000 barrels a day, about 11 per cent. His numbers show a sharper recent increase, to around 80,000 barrels a day in the second quarter of 2026, or about 16 per cent of consumption. He estimates that they reached 102,000

barrels a day in June alone, the highest monthly figure since January 2025 and 24 per cent above a year earlier.

The rebound is less a new surge than a return to the levels of late 2024 and early 2025, after an unusual dip in the second half of 2025, when smuggling fell to around 24,000 barrels a day in the third quarter. It is still striking, because the economics of the trade should be becoming less attractive. Huachicol fiscal has traditionally relied heavily on tax arbitrage: importers misclassify fuel or otherwise evade the IEPS excise tax and VAT before selling it in Mexico. But as international oil and US diesel prices have risen, Mexico has progressively reduced the IEPS burden and is now applying a 100 per cent IEPS stimulus plus an additional direct subsidy.

Mexican retail diesel consequently averages about 27 pesos a litre, while the US national average of roughly US\$6.41 a gallon is equivalent at current exchange rates to about 30.6 pesos a litre. Mexican diesel is therefore almost 12 per cent cheaper at the pump than in the US. The comparison does not measure a smuggler's actual wholesale margin, but it shows how far the traditional tax-price arbitrage has narrowed.

The apparent contradiction is less stark once the timing and mechanics are separated. The June surge in huachicol fiscal came while diesel was still paying much of the IEPS, roughly half to four-fifths of the full tax during the month, whereas the 100 per cent IEPS waiver only arrived in September. Even with IEPS at zero, smugglers can still evade 16 per cent VAT, while the relevant arbitrage is between US wholesale/export prices and Mexican wholesale prices, not retail pump prices. Barnés himself has argued that tax avoidance is not necessarily the main driver: past peaks have not tracked the tax differential closely, suggesting that enforcement, financing, market access and election-cycle dynamics may matter more. At the same time, Mexico's 27-peso retail price cap has squeezed legal private importers, potentially creating supply gaps or stronger incentives to misdeclare fuel. Finally, the 2026 estimates are residual calculations, US exports minus Mexican recorded imports, so preliminary data, classification changes or reporting delays could exaggerate the apparent rise.

Even so, the rebound is not fully explained. Either the US-Mexico statistical discrepancy is overstating actual smuggling (due to timing or other factors), or factors such as customs evasion, US fuel theft and embedded distribution networks aided by weak enforcement are allowing the business to persist even as its original tax advantage diminishes.

One other factor that may help explain the figures is the apparent increase in imports of *pale oil*, a cheap, low-quality petroleum by-product that can be blended with diesel, lowering the average cost of the fuel. Another trend is the rise in outright fuel theft. Trucks

carrying diesel are increasingly being stopped on the road and their cargo stolen, adding a more traditional form of *huachicol* to the fiscal smuggling problem.

The immediate trigger for muted US export restrictions is the surge in American diesel prices. With diesel at more than US\$6 a gallon and the midterm elections approaching, Trump said on 22 September that he wanted exports reduced. Treasury Secretary Scott Bessent confirmed that restrictions were under evaluation. Politico reported that officials were considering a 90-day ban, which the White House denied.

Within the administration there is resistance. Energy Secretary Chris Wright and Interior Secretary Doug Burgum oppose a blanket ban, and Wright has instead discussed voluntary restraints with refiners. The American Fuel & Petrochemical Manufacturers and American Petroleum Institute have also urged the administration not to restrict exports. Trump nevertheless said again on 27 September that the option remained under serious consideration.

Pemex's Deer Park refinery would offer no escape. As Moody's analyst Roxana Muñoz noted at the agency's Inside LatAm México 2026 event on 24 September, the refinery is in Texas and operates under US law, so any federal export restriction would also apply to its shipments to Mexico.

Mexico has also reduced some of its alternatives. Ernesto O'Farrill Santoscoy of Bursamétrica has argued that the cancellation of private import permits following the huachicol fiscal scandals has concentrated supply further and reduced the ability of private companies to respond quickly to an interruption.

The fiscal consequences are already visible. As US and international prices rose, the Mexican government first reduced the IEPS excise tax on diesel to zero and then activated the complementary stimulus allowed under the finance ministry's weekly decree. Unlike the IEPS waiver, this second mechanism represents a direct budgetary subsidy.

The complementary support jumped from 0.1501 pesos to 1.8361 pesos per litre for the week of 19–25 September, its highest level in four years, before easing to 1.1896 pesos for 26 September–2 October.

Energy analyst Ramsés Pech estimates that fuel tax support cost 108.4 billion pesos between 28 February and 25 September, with diesel accounting for 57.3 per cent. He now estimates that the IEPS fuel stimulus could cost around 226 billion pesos over the full year.

This creates a difficult trade-off for the 2027 budget. Higher US diesel prices force Mexico either to allow domestic prices to rise, adding to inflation, or spend more public money suppressing them. With borrowing expensive and fiscal space constrained, the

subsidy ultimately has to be financed through lower spending, higher debt or additional revenue elsewhere.

The proposed 2027 Federal Revenue Law attempts to attack the other side of the problem. It would require fuel marketers, distributors, transporters and service stations to pay IEPS on any monthly excess of litres sold over litres legally acquired. The intention is to make unexplained fuel volumes fiscally costly and reduce the space for smuggled product to enter the formal market. As Pech notes, however, its effectiveness will depend on enforcement and the reliability of volumetric controls.

Further, the government is banning the use of cash in gas stations under the new Digitalisation law. That in theory should make it more difficult for gas stations to sell illegal petrol as the authorities can more easily match revenues versus fuel bought. (In practice it remains to be seen how effective enforcement will be, and of course certain gas stations may just sell contraband gasoline for cash, and official gasoline with cards.)

The muted ban on US diesel exports has also focused attention on Mexico's limited storage of reserves. Energy consultant and former SENER official Rosanety Barrios told the same Moody's event that Mexico has no large national strategic fuel reserve comparable with that of the US. Pemex and private inventories combined amount to roughly 13 days of diesel consumption, she estimated, against discussion in Washington of restrictions lasting as long as three months.

Nor is available storage necessarily located where it would be most useful. Barrios highlighted the Yucatán Peninsula, which remains particularly vulnerable because diesel is also used for electricity generation. Private investors constructed storage infrastructure at Tuxpan and other ports, but development and operation of parts of that capacity were constrained during the López Obrador administration.

The US can respond to shortages through strategic petroleum stocks and a much deeper refining and storage system. Mexico's principal defence has increasingly been fiscal: subsidising the consumer price.

For years, Mexico's energy debate concentrated on who should own power plants, pipelines and refineries and on the political objective of energy sovereignty. Much less attention was paid to storage and resilience. Trump's diesel threat is a reminder that the more immediate question may be simpler: what happens when the energy Mexico depends upon suddenly stops crossing the border?

59 million litres: the huachicol bust that seemingly backfired

On 17 September the Guanajuato delegation of the Attorney General's Office (FGR) announced the seizure of 59,036,870 litres of gasoline and diesel at a storage terminal in La Fragua, in the municipality of San José Iturbide. It was the largest single hydrocarbon seizure reported under the current administration and was presented as the heaviest blow against fuel theft (huachicol) of the sexenio. Within days, the case had begun to unravel.

According to El País, the operation was built on state police intelligence and carried out by the FGR's state delegation. It began when a tanker elsewhere in the state could not prove the origin of 33,000 litres of fuel. After searches in San Luis de la Paz and Dolores Hidalgo, officers raided a terminal operated by Gas Natural del Noroeste, a Grupo Simsa subsidiary. There they secured its ten storage tanks, which can hold up to 100 million litres of gasoline and diesel. The announcement came the day before President Claudia Sheinbaum visited Guanajuato with Security Secretary Omar García Harfuch, when the government promised that arrests would follow.

Grupo Simsa responded the next day. It said the terminal holds valid permits and licences, which are publicly available, and that its operations are regulated and supervised at federal, state and municipal level. It also said it had given investigators all the documentation needed to prove the fuel's legal origin, and added that the fuel belongs to its clients, not to the company.

On 25 September García Harfuch confirmed that the FGR had removed its Guanajuato delegate, Juan Francisco Vera Ayala, who is now under investigation. He said irregularities had been found. The operation had taken place around two weeks before it was announced, the information behind it had not been fully verified and the reports declaring all the seized fuel illicit were now in doubt. Sheinbaum said the delegate had conducted the investigation and operation on his own initiative. Attorney General Ernestina Godoy Ramos had taken over the case after Simsa's statement. The FGR's organised crime unit (FEMDO) is now reviewing the companies' documentation to establish whether any crime was committed. A week after the seizure was announced, the FGR had yet to determine whether the fuel was of illicit origin. Vera Ayala, who took up the post on 28 January, is expected to be replaced by Norma Quevedo Vázquez.

Vera Ayala's record had already drawn scrutiny. According to El País, he previously worked at the former federal Attorney General's Office (PGR) and headed anti-kidnapping units in Puebla and Tabasco. He was among the officials named by the director of the Netflix documentary Reasonable Doubt (Duda razonable) in connection with a 2015 kidnapping case in Tabasco. The Supreme Court later found that case riddled with investigative failures, and the three accused men were released in 2022.

The episode sits uncomfortably with the government's hardline narrative on fuel theft. It exposes the risk of launching high-profile operations without the legal and technical grounding to sustain them. It also matters for fiscal enforcement: the fuel traceability measures proposed for 2027 depend on the authorities' ability to distinguish lawful from unlawful volumes, and San José Iturbide suggests that capacity remains uneven.

Gas retailers don't want to rush going all-digital

On 8 September the federal executive sent Congress a Digital Economy Law for Digital and Electronic Payments as part of the 2027 Economic Package, and the Chamber of Deputies published the bill in its Gaceta Parlamentaria. The bill has 22 articles and five transitory provisions and is still under committee review. Article 13 would empower SHCP to designate strategic sectors and activities in which digital payment would be the only accepted method. The government has previously said these would include service stations and toll booths.

Presenting the law at the president's morning press conference on 24 September, José Antonio Peña Merino, head of the Digital Transformation and Telecommunications Agency (ATDT), said the gradual phase-out of cash had already begun in strategic sectors, citing service stations and highways. The law would build on the SPEI and CoDi instant-transfer systems, allowing merchants to collect payments by mobile phone without commission and receive funds immediately. Digital payment would also be adopted at every level of government. President Claudia Sheinbaum argued that using less cash would improve security and efficiency and support formalisation, since a record of payments in a bank account can help a business formalise. She noted that accounts of up to 130,000 pesos can now be opened electronically at any bank.

Onexpo, the national fuel retailers' association, says it supports digitalisation and its benefits for security, efficiency, traceability and financial inclusion. It wants the transition built on dialogue, gradualism, consumer incentives and guaranteed continuity of supply. In statements reported by *El Economista* and *Energy Magazine*, it argued that the choice of payment method belongs to the consumer, not the station. Adoption, it said, should be won through better prices, rewards and convenience rather than imposed through penalties on retailers. No motorist should be unable to refuel because of a technology failure beyond their own or the station's control. Nor should stations bear costs, risks or obligations that belong to banks, payment processors and telecommunications providers. Citing data from the Mexican Bankers' Association (ABM), Onexpo said more than 25 million people, 19 per cent of the population, remain outside the banking system.

Onexpo's proposed principles for implementation start with a regional rollout, beginning in well-connected areas and reaching rural zones and highways only once the infrastructure is in place. It also wants contingency mechanisms, including the use of cash where necessary, and safeguards to keep digitalisation costs out of fuel prices. Payment options should be technologically neutral across CoDi, Dimo and cards. Clear liability rules should protect stations from penalties for third-party failures. Finally, it wants verifiable indicators on coverage, banking penetration, terminal availability and payment-system failure rates.

The two positions overlap more than the headlines suggest. The government's promise of commission-free CoDi collection addresses part of retailers' cost concerns, though card fees and connectivity gaps outside the major cities remain. The proposal also lands at a delicate moment for fuel retailers, who are already absorbing losses under the voluntary diesel price cap. It could also reinforce the push against fiscal fuel smuggling. Digital-only payment would leave a transaction trail at the pump, complementing the fuel traceability measures proposed in the 2027 Federal Revenue Law.

Sheinbaum steps in with Tabasco's power failures

Speaking at her morning press conference in Villahermosa on 25 September, President Claudia Sheinbaum pledged that CFE would end the electricity failures that have affected Tabasco since the blackout of 25 August. She also instructed Pemex to deal immediately with complaints about foul odours from gas flaring, after protesters had secured an agreement with the authorities to control it.

The blackout left around 180,000 households without power until the morning of 26 August, mainly in Centro, Comalcalco, Cunduacán, Jalpa de Méndez, Huimanguillo and Nacajuca. CFE initially blamed heavy rains for damaging 115 kV transmission lines, but Governor Javier May later said the fault originated at a Pemex plant. The outage also tripped the cogeneration units at the Nuevo Pemex gas processing complex (CPG), halting gas deliveries into ENGIE's Mayakán pipeline. It showed how a fault where the regional grid meets Pemex's facilities can disrupt both electricity and gas supply to the southeast.

Around two weeks later, CFE and Pemex held a joint technical session at Nuevo Pemex, which the hydrocarbons development plan (PLADESHi) ranks among the country's most important facilities. The companies said they had reviewed infrastructure linked to electricity supply and agreed improvement actions to strengthen the National Transmission Network. Pemex said it was reviewing the protection systems of the

complex's cogeneration plant and main substation, with CFE's technical support, to meet Grid Code requirements. It was not enough to contain the unrest.

The protests draw on older grievances. On 4 September, according to La Silla Rota, residents of Tamulté de las Sabanas and surrounding Yokot'an indigenous communities north of Villahermosa began an indefinite blockade of the Villahermosa–Frontera federal highway, the route to Ciudad del Carmen. They accuse CFE of prolonged outages and voltage fluctuations that have burnt out meters and appliances. They are also demanding the substation that then-president Andrés Manuel López Obrador promised the area in 2020. Poor supply has also disrupted local water systems: the state government moved a generator to the Chilapa water treatment plant in Centla, and CFE hired another. Residents blocked the same highway in July 2024 and for around two days in May 2025.

Chatter Box

AMIGO LNG has its permit. It still cannot build. A federal judge in Sonora has granted a definitive suspension blocking construction of the AMIGO LNG export project near Guaymas while an amparo brought by Nuestro Futuro and ARTICLE 19 proceeds. The distinction matters: ASEA had already authorised the project's environmental impact assessment on 13 April, before the suspensions issued in May, meaning the court order does not revoke the permit but prevents construction while that authorisation itself comes under judicial review. ASEA says its assessment included 4,804 submissions during public consultation and imposed conditions including marine-mammal monitoring, biodiversity compensation, seasonal restrictions on marine construction and a maximum of 60 LNG-carrier arrivals per year.

That last figure also puts some of the more dramatic estimates surrounding the project into context. Opponents have cited a future second phase exceeding 7.8 Mtpa and as many as 175 LNG vessels annually, while AMIGO's current public description puts capacity at 4.2 Mtpa and ASEA's authorisation caps arrivals at 60 a year. The larger issue is now legal rather than administrative: AMIGO has its environmental authorisation but cannot use it until the courts decide whether the permitting and consultation process survives judicial review, making the case an important test for Pacific LNG projects seeking to move US gas to Asian markets.

Moody's questions Mexico's fiscal path (again). At the Inside LatAm México 2026 forum, Renzo Merino, Moody's vice-president for sovereign risk, singled out federal support for Pemex debt as a drag on sovereign debt rating. According to Bloomberg, state support has cut Pemex's debt from 9.3 per cent of GDP in 2016 to 4 per cent; but as Merino said, that burden has simply moved to the sovereign. On paper, the 2027

economic package projects surpluses of 95.1 billion pesos for Pemex and 25.049 billion pesos for CFE. As previously reported, Pemex's surplus rests largely on federal support: it includes a transfer of 81.1 billion pesos to cover amortisations of earlier borrowing, without which it falls to 14 billion pesos. CFE will receive transfers of 90.4 billion pesos, flat in real terms. Pemex's physical investment stands at 255.5 billion pesos, yet geological exploration spending would fall 40.6 per cent, from 39.495 billion to 23.452 billion pesos, according to Ramsés Pech, who warns this jeopardises new discoveries and future output. CFE's 61 billion pesos of proposed physical investment compares with electricity infrastructure needs that SENER puts at more than 980 billion pesos for 2026–2030. Óscar Ocampo of IMCO argued that mixed investment alone cannot compensate for both companies' insufficient investment budgets.

Fuel-smuggling allegations. A New York Times report has brought renewed attention to references to Andrés Manuel López Beltrán, son of former president Andrés Manuel López Obrador, in case files related to Mexico's widening fuel-smuggling scandal. Mexican prosecutors allege that networks involving corrupt customs and naval officials imported US diesel falsely declared as other petroleum products, avoiding billions of pesos in taxes. According to federal case files reviewed by the newspaper, a cooperating witness claimed that a major 2025 diesel seizure resulted from a political clash involving 'the president's son'; defence lawyers for naval officers charged in the case have said that reference was to López Beltrán.

The allegations remain just that, and indeed the NY Times piece was noticeably lacking in specific details. López Beltrán has not been charged with a crime, and Mexican prosecutors said in August that the references in the case files were insufficient to justify opening an investigation into him. President Claudia Sheinbaum has likewise said authorities have no evidence linking him to criminal activity. The Times wrote that two US law-enforcement agencies are 'looking into accusations' of supposed links between López Beltrán, organised crime and fuel smuggling, but have 'not launched formal investigations'. This seems quite underwhelming as a news report as presumably (and hopefully) US authorities are looking into accusations all the time.

Actis comes back for another round of Mexican renewables. Infrastructure PE giant Actis, now part of General Atlantic group, has launched Yeltica Energy, a new Mexican renewable platform anchored by three solar-plus-storage projects awarded through CFE's first Mixed Investment Tender. The initial portfolio totals around 330 MWp of solar and 255 MWh of battery storage, backed by 25-year, dollar-denominated, inflation-linked PPAs with CFE, with Yeltica ultimately targeting more than 2 GW. Actis previously invested in and exited Zuma Energía, Saavi Energía and Atlas Renewable Energy, currently owns the 3.2 GW gas-fired Valia Energía platform, and says it has owned a cumulative 7.3 GW in Mexico. Its return to renewables is therefore a useful vote of confidence in the government's new model: private capital is willing to come back under

long-term CFE-backed revenues even as the state retains the central role in electricity planning.

Dark water, but still no definitive culprit at Madero. Pemex and federal environmental authorities are investigating dark discharges observed beside the Madero refinery following heavy rainfall beginning on 25 September. ASEA, Profepa and the Navy have inspected the site, while Pemex deployed barriers, Vactor units and skimmers around the refinery's drainage system and the Varadero canal. Pemex says higher water levels and effluent flows may have carried accumulated sediments into the river, but had not published laboratory results as of 28 September establishing the material's composition, volume, precise source or environmental impact. For now, this is an environmental incident under investigation, not yet a confirmed hydrocarbon spill attributable to a specific refinery unit.