



CRE

COMISION
REGULADORA
DE ENERGIA

2nd Annual LNG North
America Conference

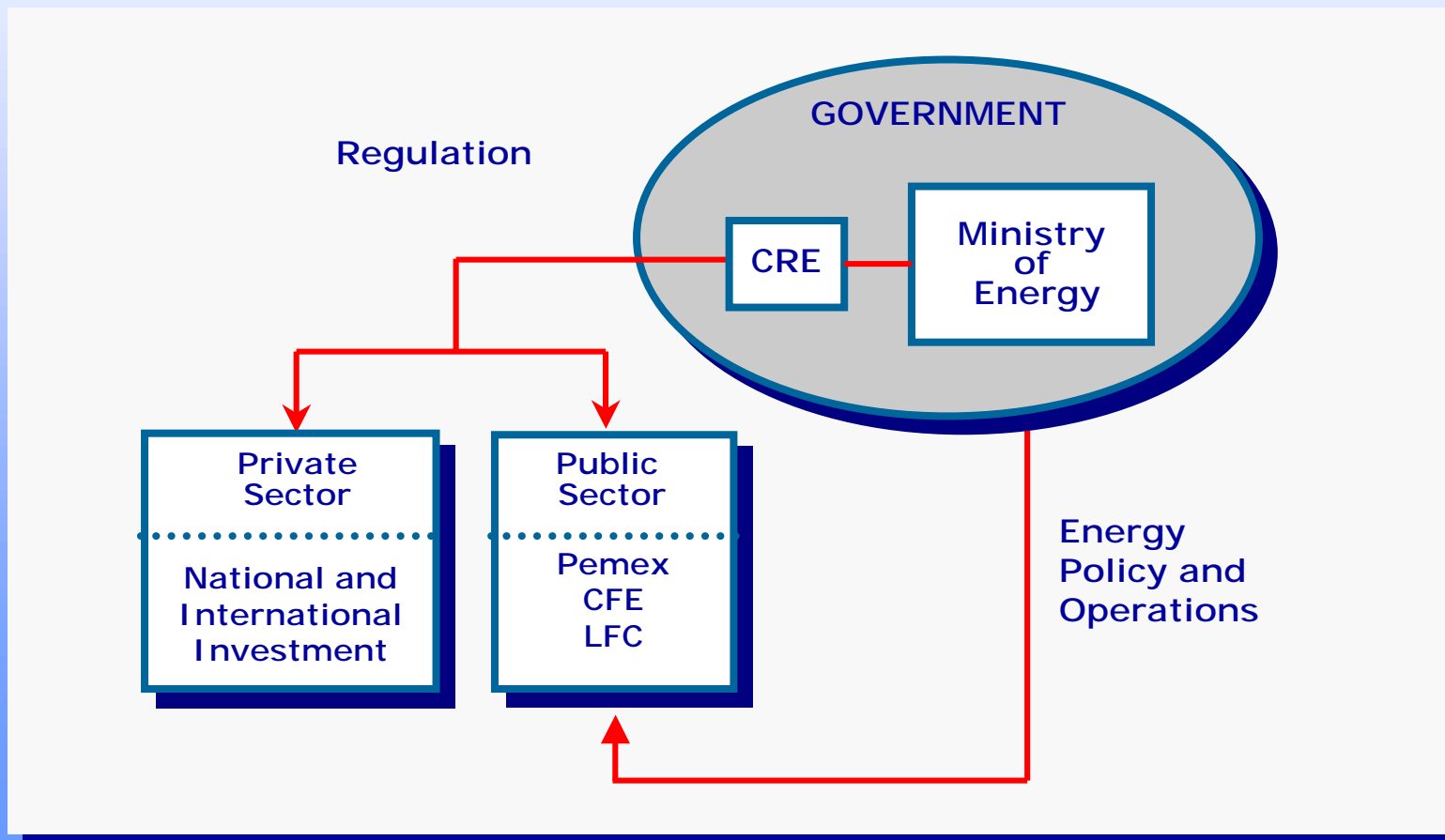
**Projected Supply and
Demand for Natural Gas
over the next 10 years and
Plans for Major LNG
Receiving Terminals**

March 11, 2003
Houston, Texas

- I. Regulatory Framework
- II. Natural Gas Market
- III. LNG Projects in Mexico
- IV. Final Remarks

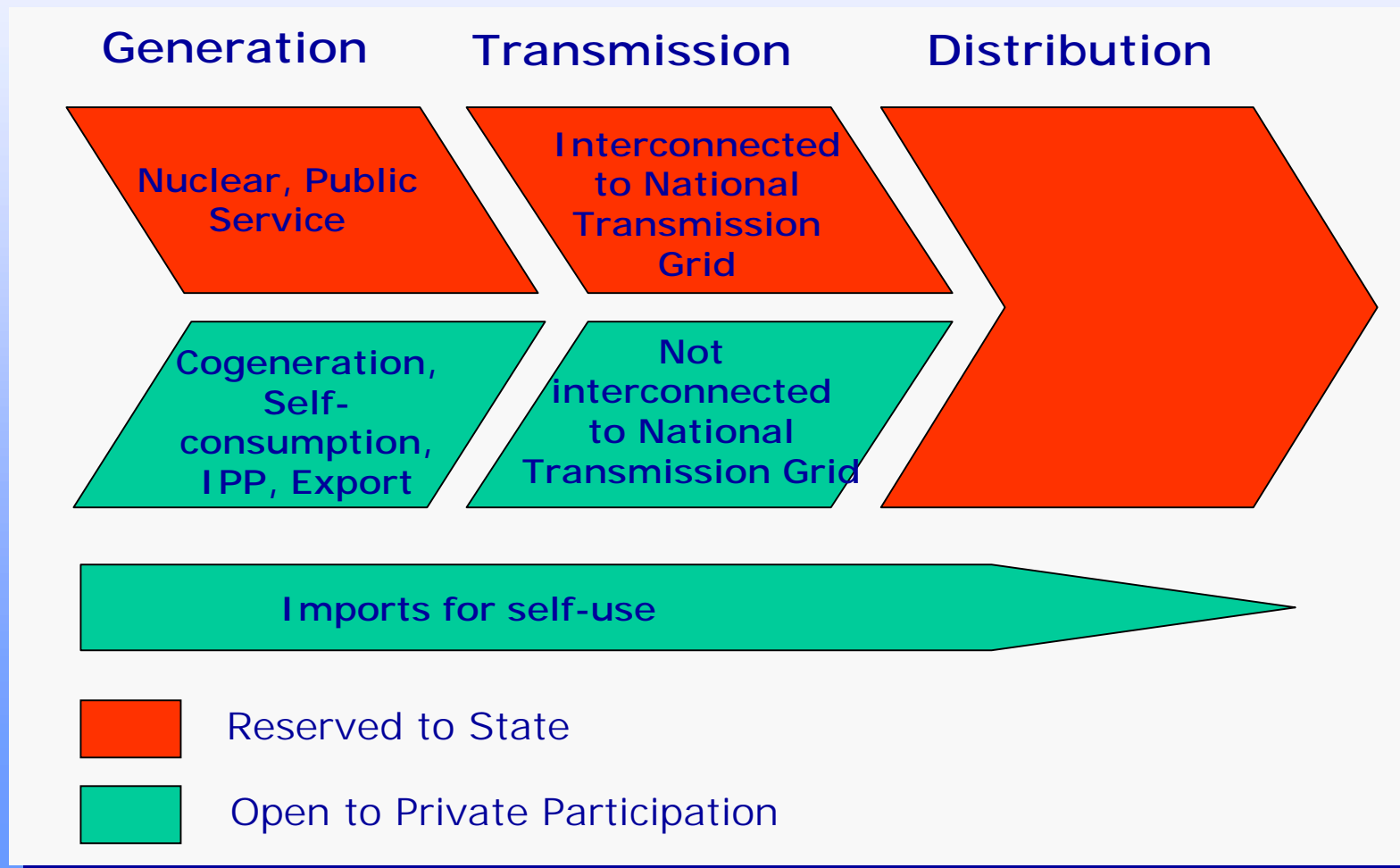
I. Regulatory Framework

- The Energy Regulatory Commission (CRE) is the body responsible for regulating public and private activities in the electricity and natural gas industries



Activities Open to Private Participation

- Since 1992, private companies can generate or import electricity

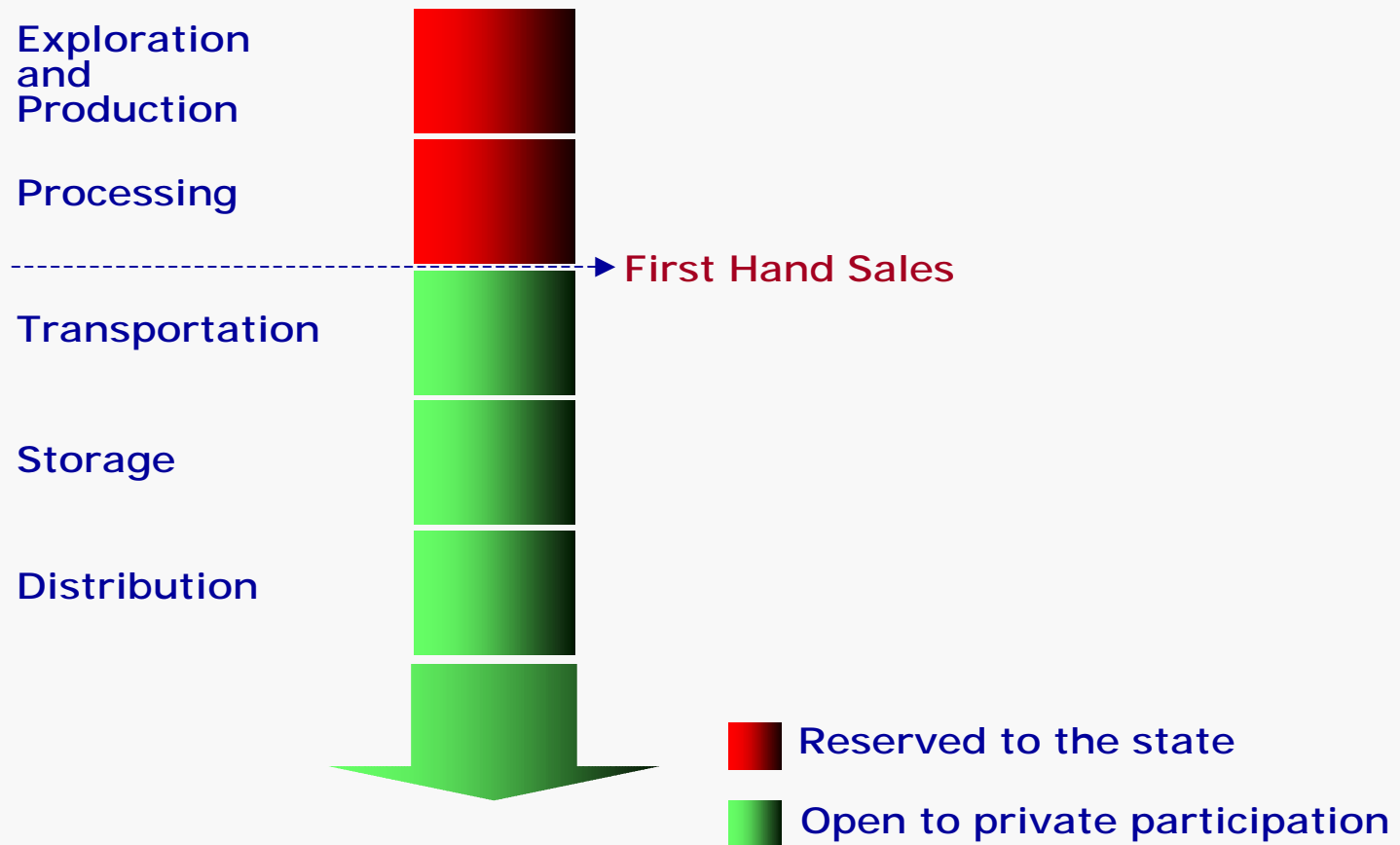


- Since 1994, the CRE has granted 214 Power related permits for a total capacity of 19,733 MW

| Type | Permits | Capacity (MW) | Investment (USD million) |
|--------------|------------|------------------|-----------------------------|
| Self-Supply | 153 | 6,310 | 4,581 |
| Cogeneration | 35 | 2,158 | 1,204 |
| IPP's | 17 | 9,277 | 5,102 |
| Import | 7 | 41 | 12 |
| Export | 6 | 2,186 | 1,388 |
| TOTAL | 218 | 19,973 | 12,288 |

Activities Open to Private Participation

- Since 1995 downstream activities are open to private investment



- The CRE has granted 123 permits that represent more than USD 2.5 billion in investment commitments in the Natural Gas Industry

| Type | Permits | Length (miles) | Estimated Investment (million USD) |
|--------------|------------|----------------|------------------------------------|
| Transport | 102 | 7,180 | 1,588 |
| Open Access | 16 | 6,790 | 1,385 |
| Self-use | 86 | 390 | 203 |
| Distribution | 21 | 16,311 | 988 |
| TOTAL | 123 | 23,491 | 2,576 |

Pemex's Transmission and Private Open Access Pipeline



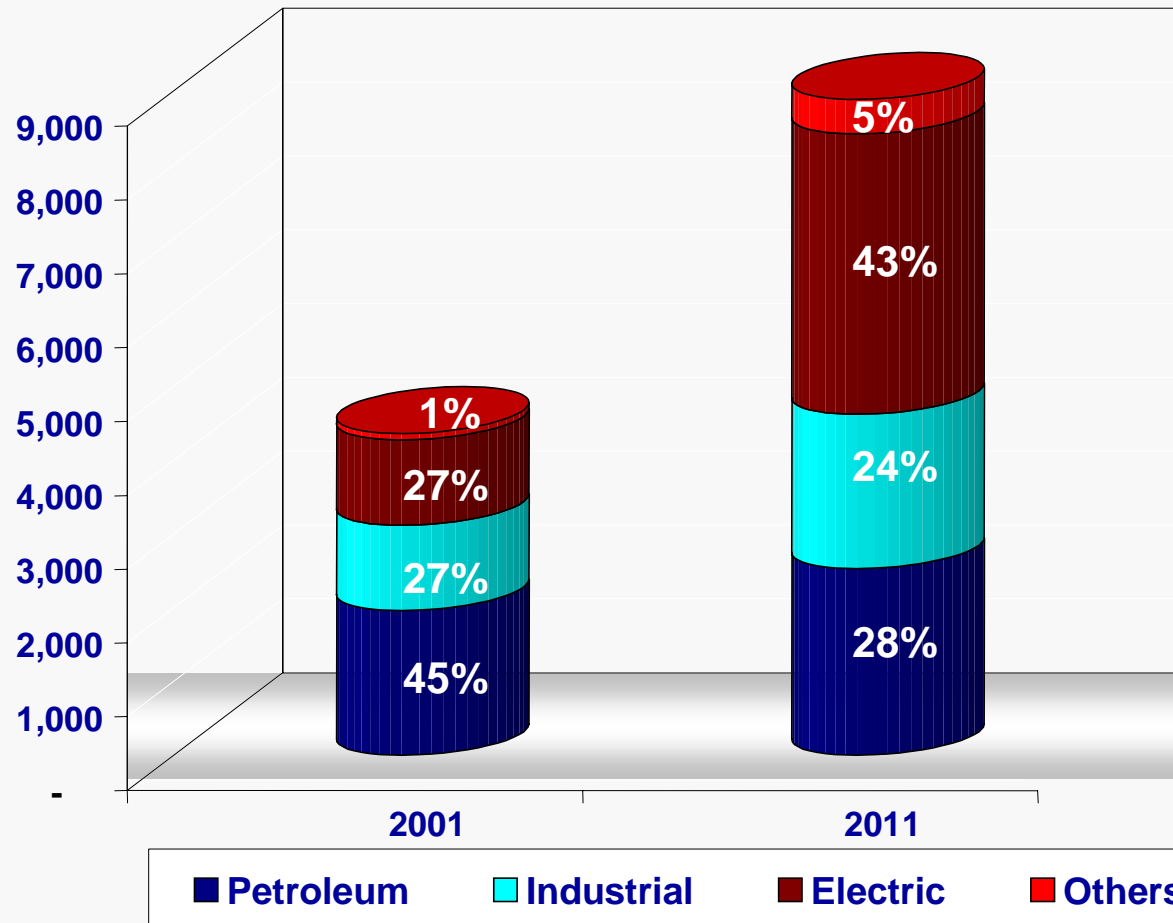
Natural Gas Geographical Distribution Zones



III. Natural Gas Market

Mexico's Energy Sector Demand (2001-2011)

Natural Gas Demand by Sector (million of cubic feet per day)



¹ Others: Residential, services and transport

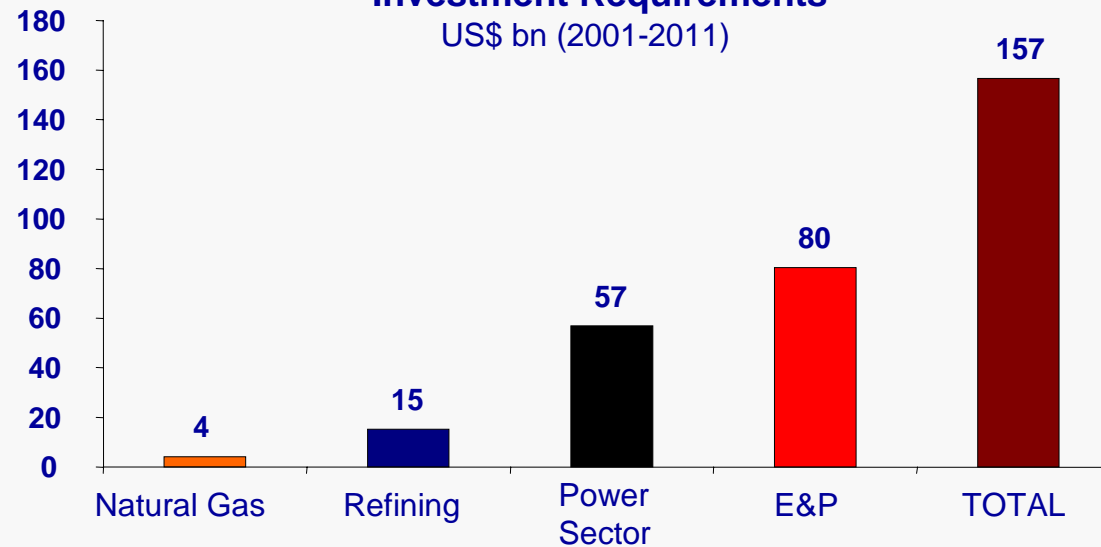
Balance in the Energy Sector (1992-2011) and Investment Requirements

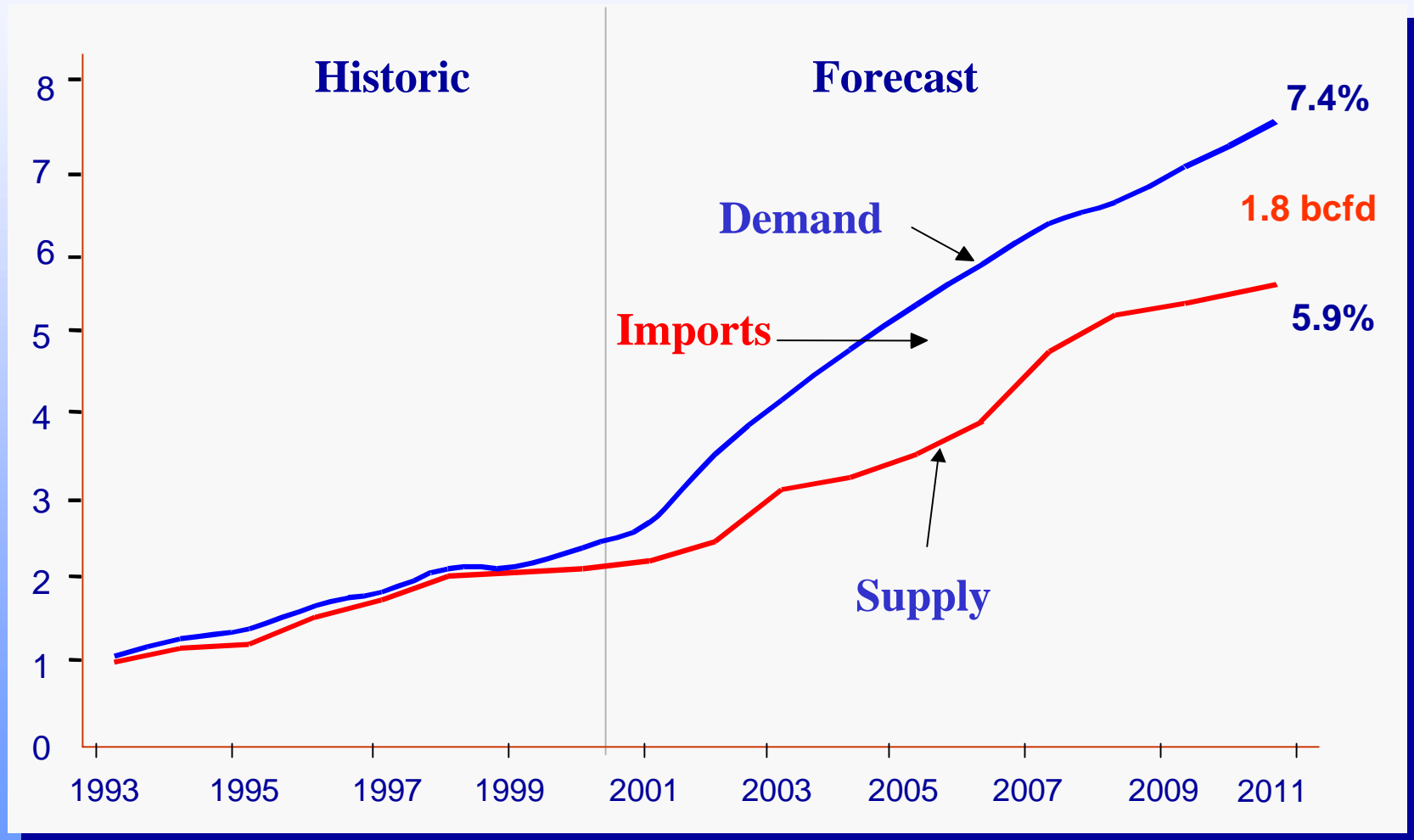
Supply-Demand of energy products in Mexico
(average annual percent change)

| | History | | Prospective | |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 1992-2001 | | 2002-2011 | |
| | Domestic Demand | Domestic Supply | Domestic Demand | Domestic Supply |
| Electricity | 5.1 | 5.2 | 5.6 | 5.7 |
| Natural Gas | 4.7 | 4.8 | 7.4 | 5.9 |
| Natural Gas (Excluding Pemex) | 1.9 | 2.8 | 10.2 | 8.4 |
| LPG | 4.2 | 2.7 | 3.0 | 3.1 |

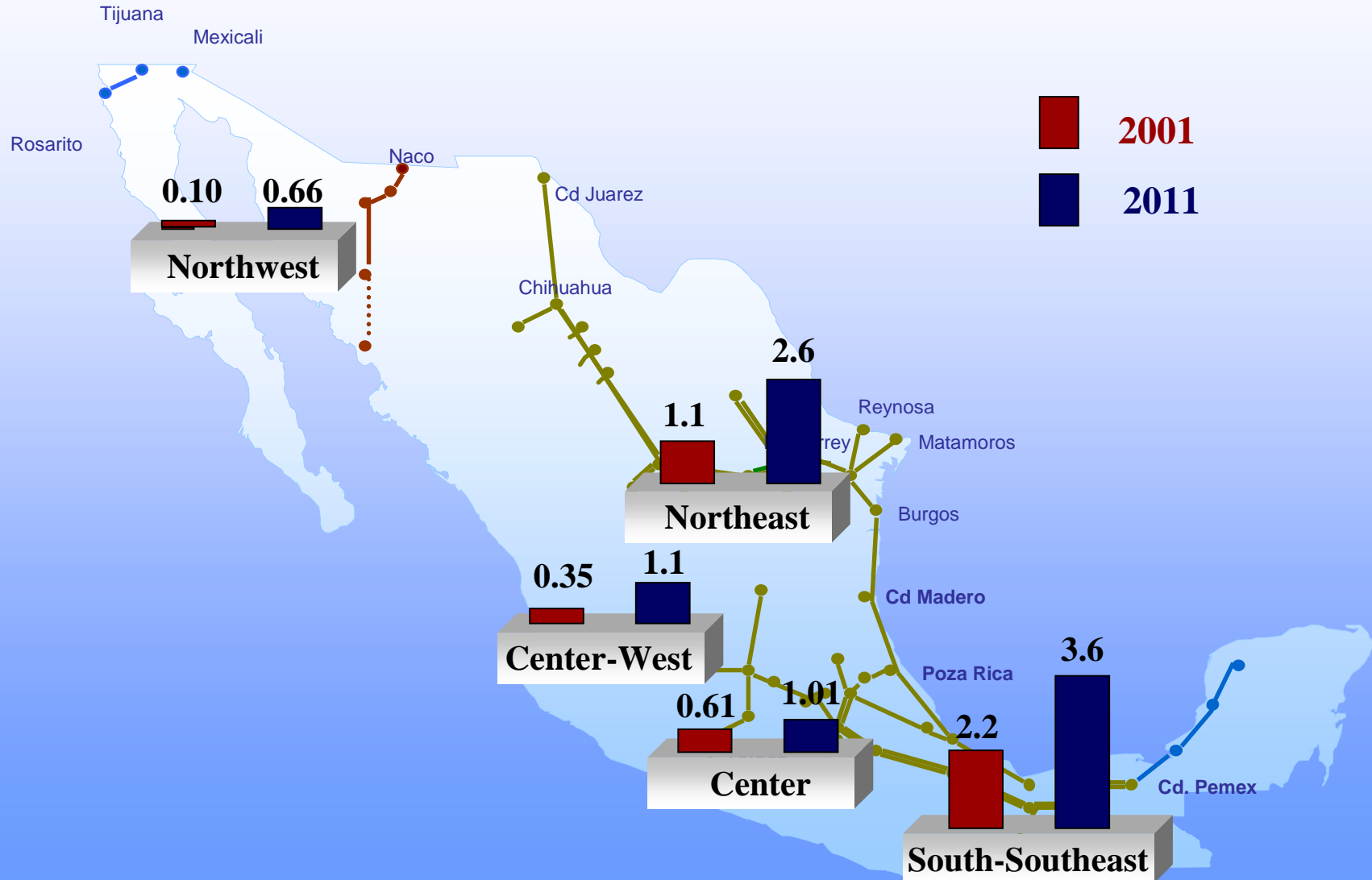
Investment Requirements

US\$ bn (2001-2011)





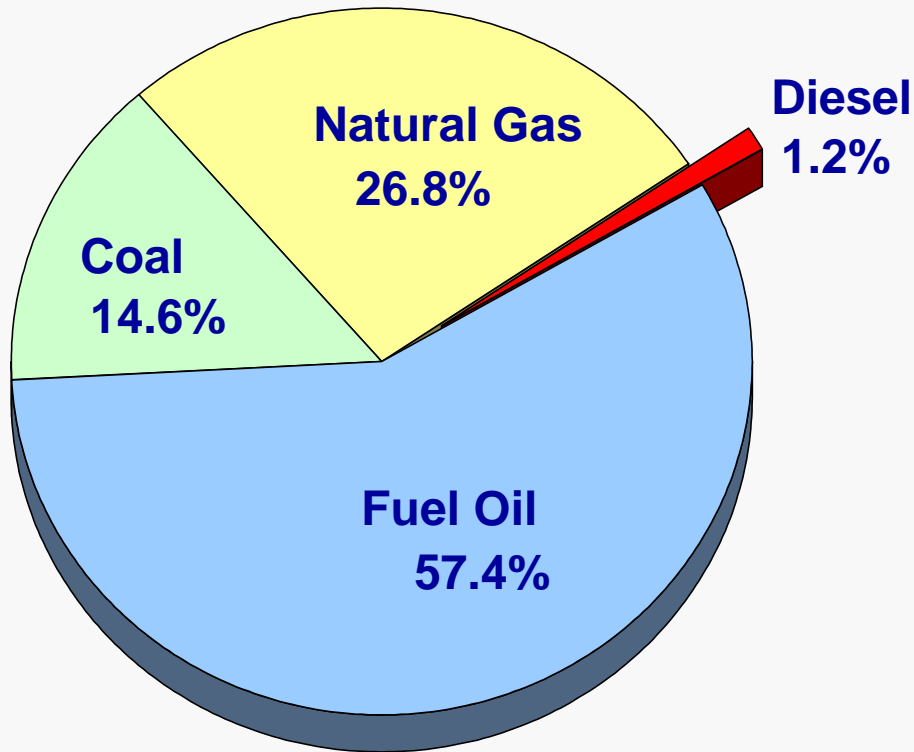
Regional Growth in Natural Gas Demand (Bcfd)



Fuel Consumption for Power Generation

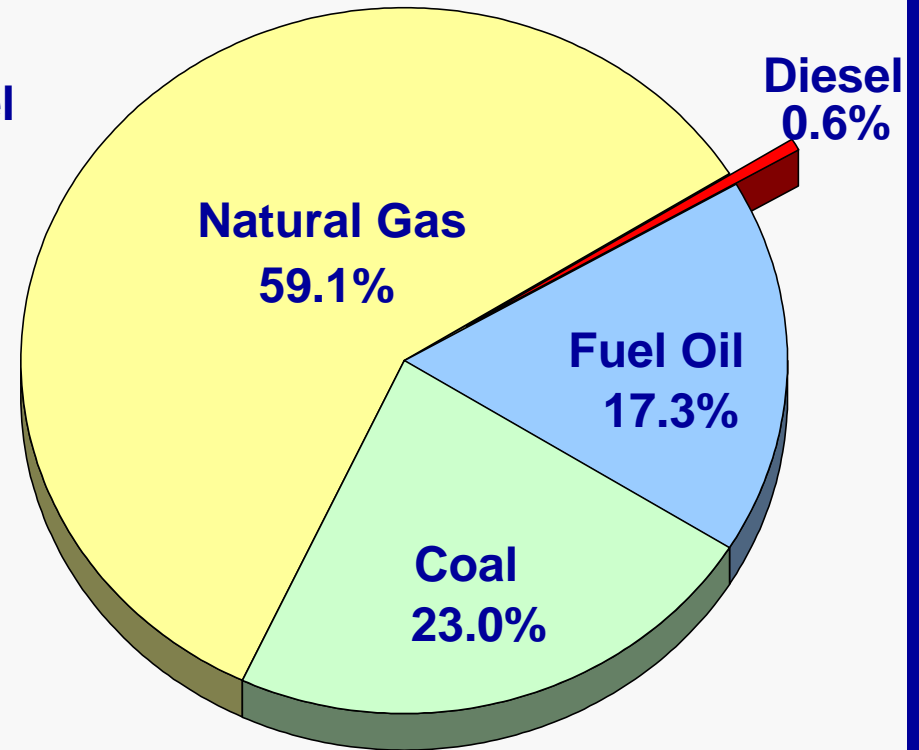
2001

4,369 Terajoules/day

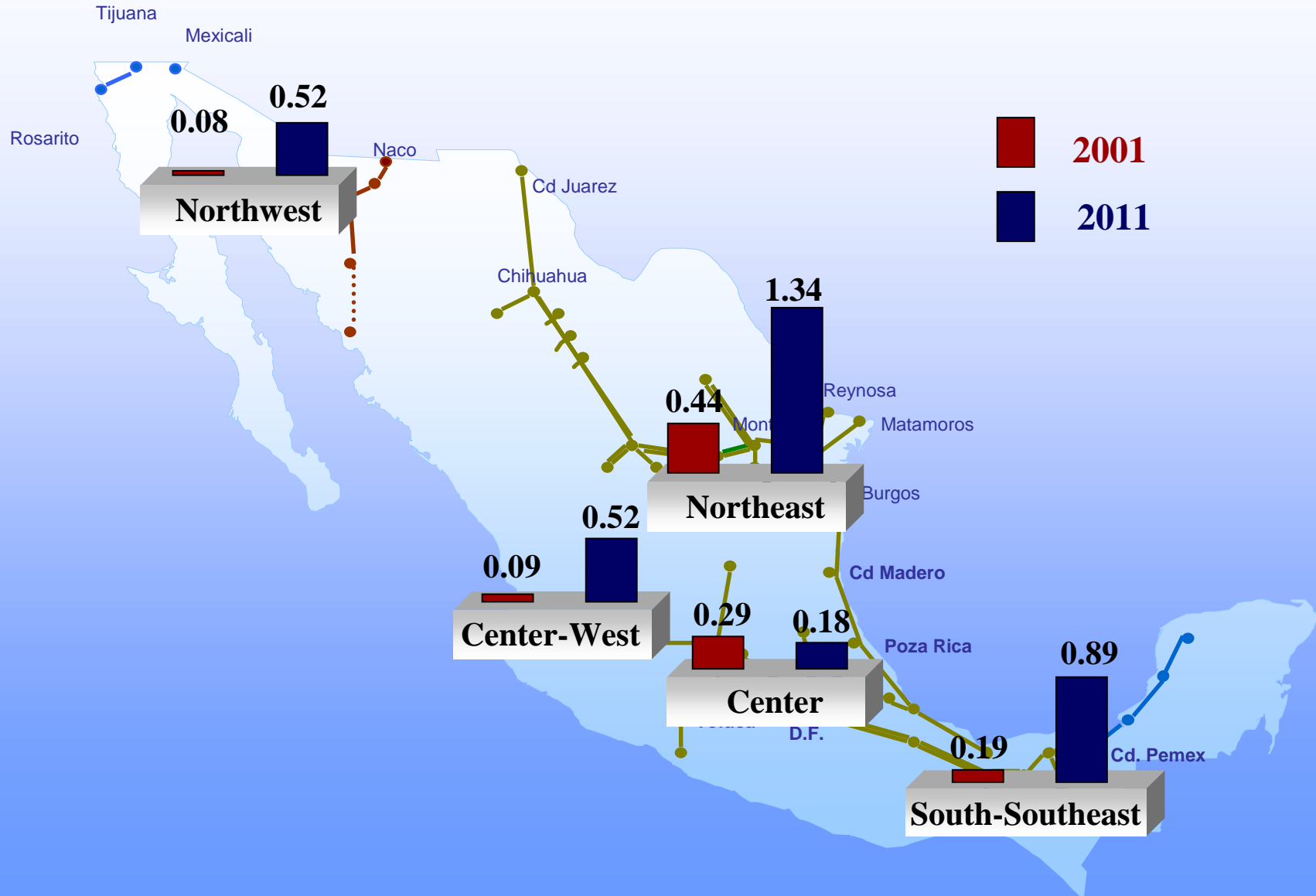


2011

6,184 Terajoules/day



Regional Natural Gas Demand for Power Generation (Bcfd)



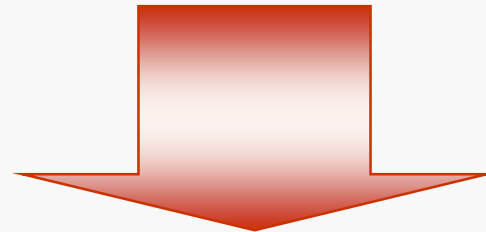
III. LNG Projects in Mexico

Advantages:

- ✓ Additional supply
- ✓ Expansion of combined cycle generation plants
- ✓ Regional development
- ✓ Controls eventual peaks
- ✓ Stabilizing prices

- Companies have expressed their interest in building LNG terminals in Mexico
- Investors will take all the risk without government guarantees
- The government has adapted the regulatory framework in order to provide certainty to investors

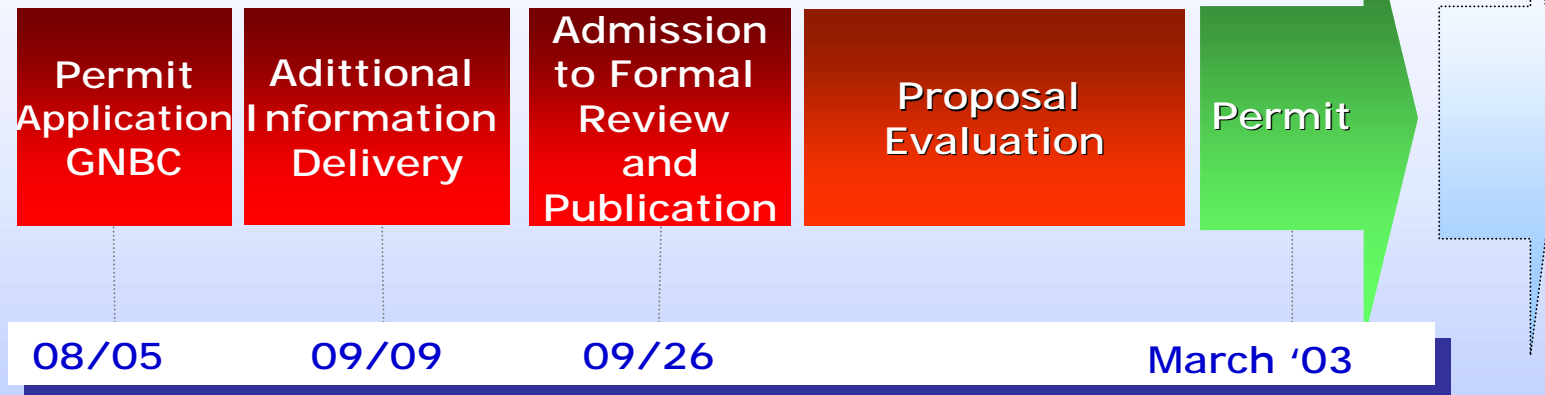
- The main points for LNG regulations are:
 - ✓ Safety
 - ✓ Open Access
 - ✓ Tariffs



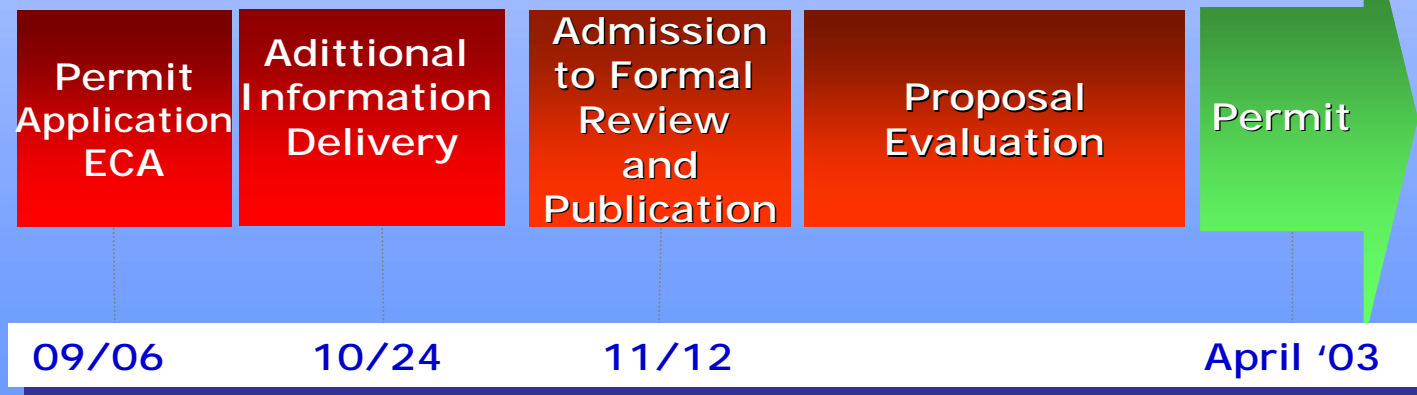
Regulatory Consistency



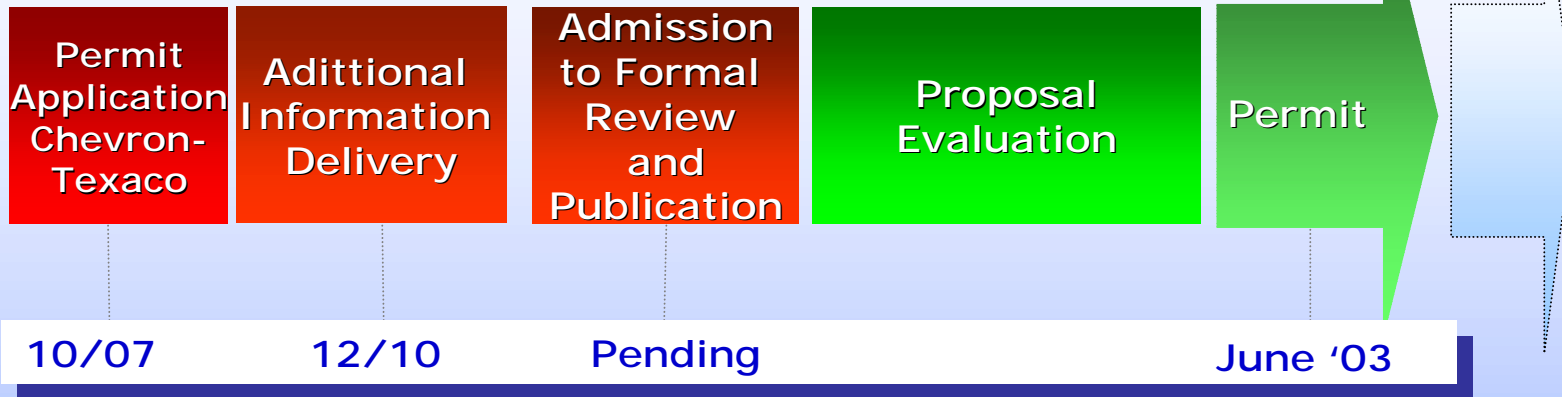
1) Gas Natural Baja California (GNBC)



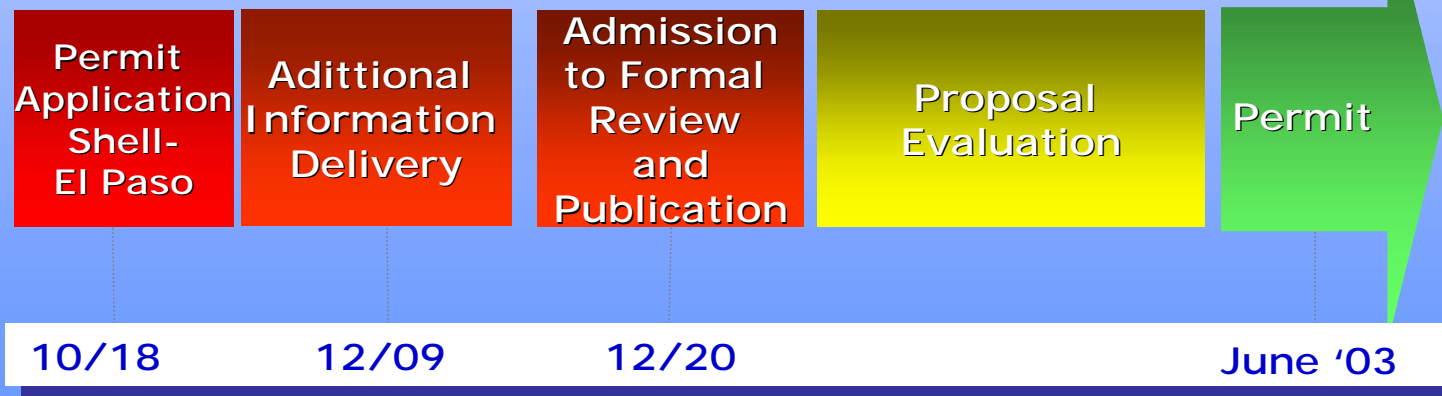
2) Energía Costa Azul (ECA)



3) Chevron-Texaco de México



4) Terminal LNG de Altamira



V. Final Remarks

Mexico needs to:

- ✓ Satisfy the growing demand for natural gas and electricity
- ✓ Diversify its sources of natural gas
- ✓ Ensure the efficient use of natural resources, with the least possible harm to the environment
- ✓ Expand the pipeline network and reinforce the national grid
- ✓ Develop gas storage capacity to supply peaking requirements
- ✓ Guarantee competitive conditions in the marketplace

- ✓ In the next 10 years the energy sector will require investments for over 157 billion dollars
- ✓ Mexico's energy regulatory framework is permanently adapting to current trends
- ✓ LNG projects will become an alternative supply of gas for the North America Market



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