



CRE

COMISION
REGULADORA
DE ENERGIA

3rd Annual World LNG Summit

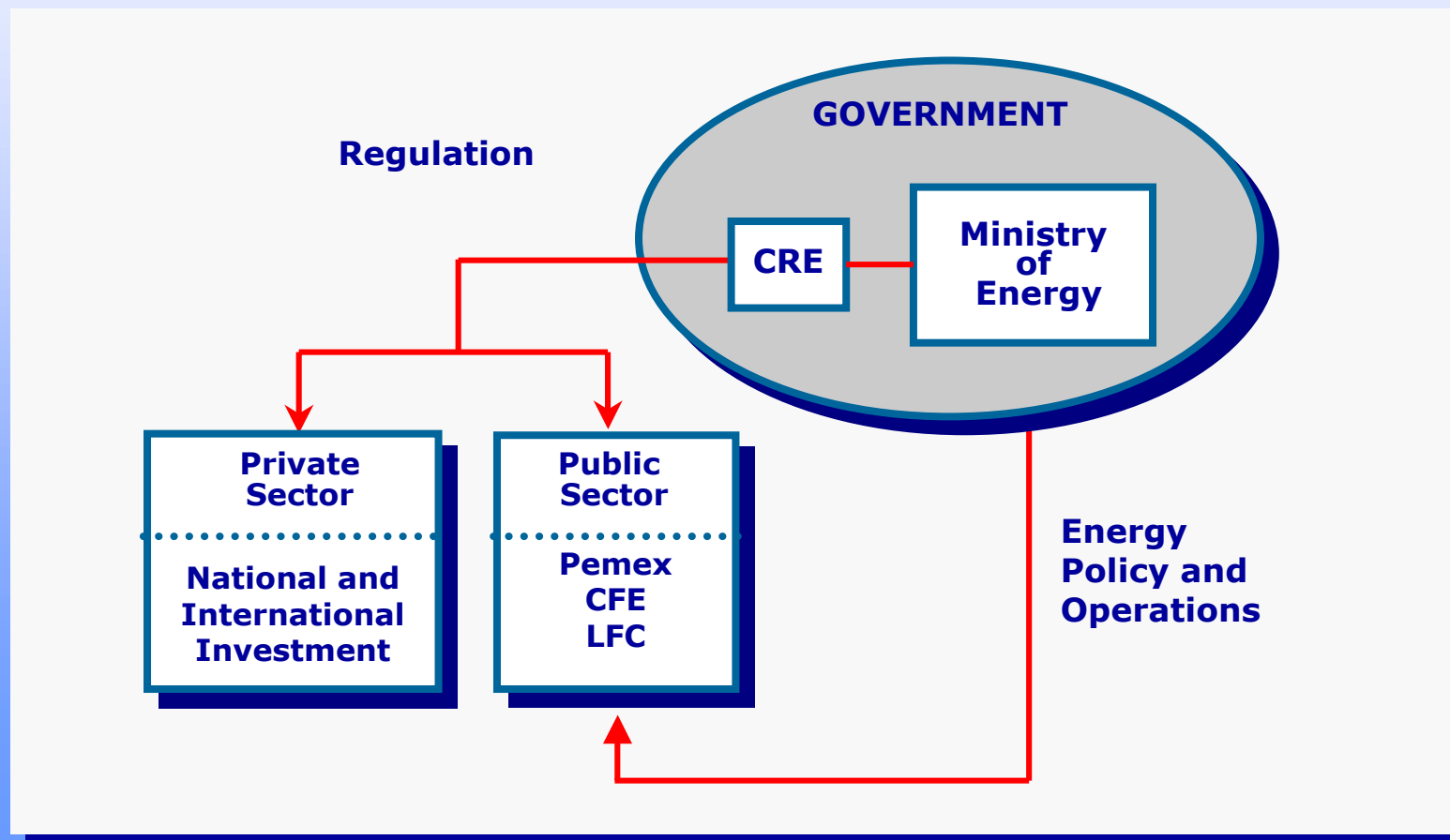
Mexico – Projected Demand for LNG over the Next 20 Years and Plans for Major Receiving Terminals

**December 12, 2002
Rome, Italy**

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

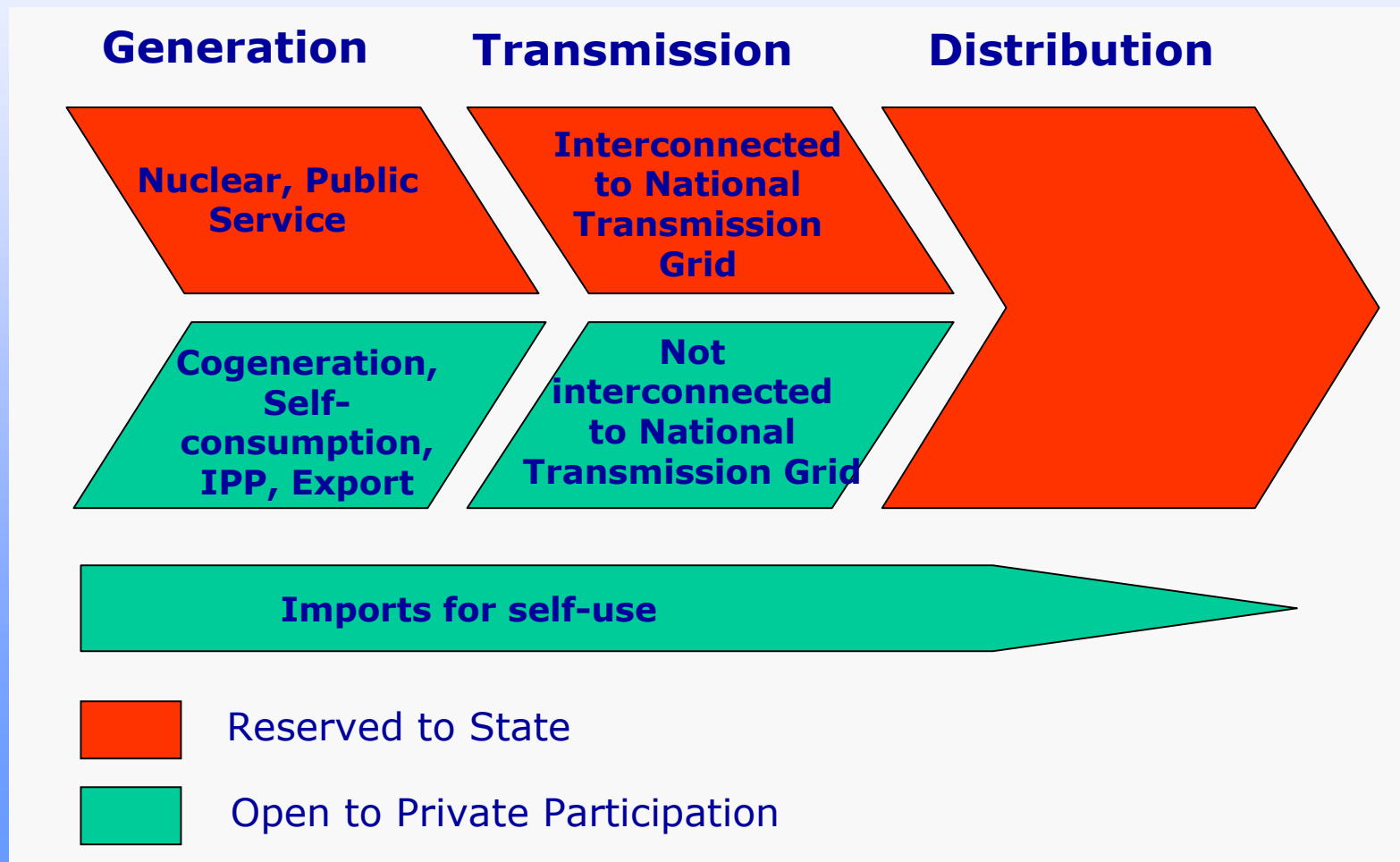
I. Regulatory Framework

- **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

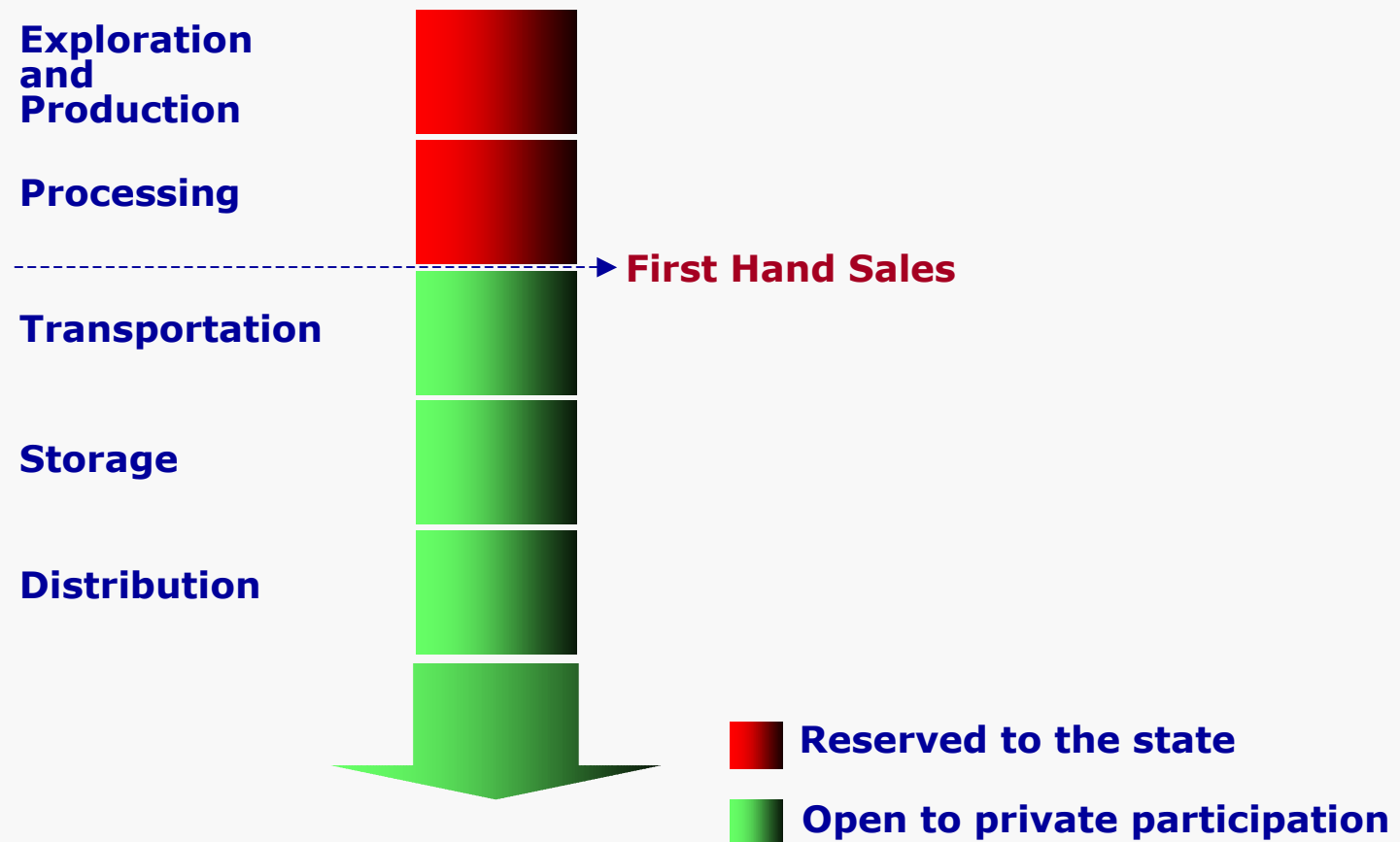


- **Since 1994, the CRE has granted 214 Power related permits for a total capacity of 19,733 MW**

Type	Permits	Capacity (MW)	Investment (USD million)
Self-Supply	149	6,050	4,353
Cogeneration	35	2,178	1,224
IPP's	17	9,277	5,102
Import	6	2,186	1,388
Export	7	41	12
TOTAL	214	19,733	12,080

Activities Open to Private Participation

- Since 1995 downstream activities are open to private investment



- **The CRE has granted 120 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	99	7,156	1,579
Open Access	16	6,790	1,385
Self-use	83	366	194
Distribution	21	17,526	988
TOTAL	120	24,682	2,567

Pemex's Transmission and Private Open Access Pipeline



Natural Gas Geographical Distribution Zones



II. Natural Gas Market

Mexico's Energy Sector Demand (2001-2011) and Investment Requirements

Demand Growth

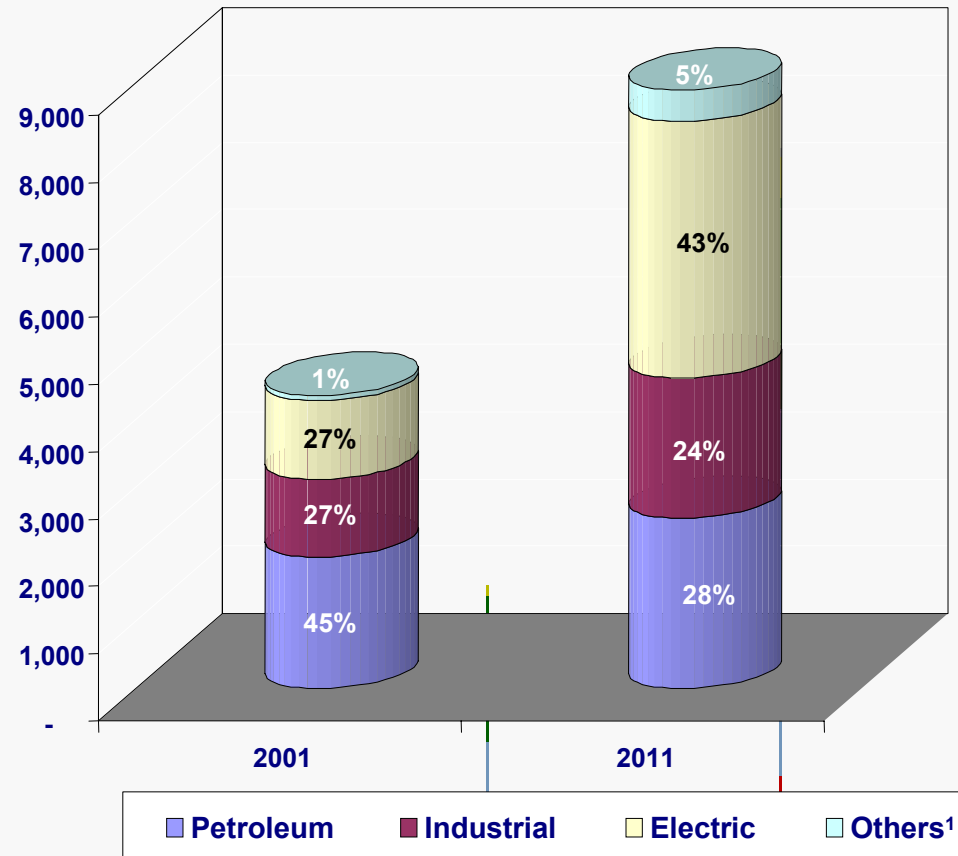
Power Sector	5.6%
LPG	3.0%
Natural Gas	7.4%
Gasoline & Diesel	3.0%

Investment Requirements

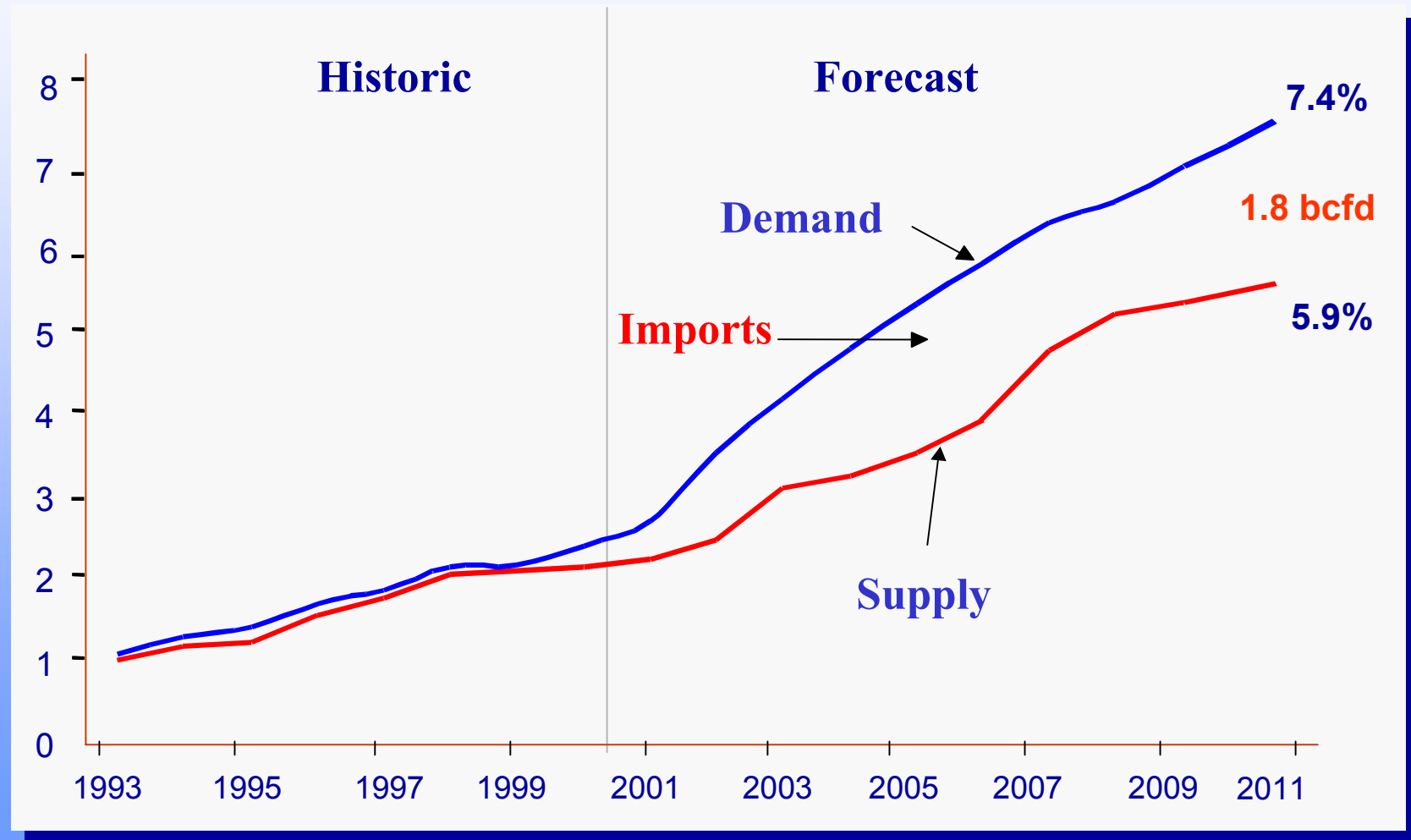
US\$ bn (2001-2011)

E&P	80
Refining	15
Natural Gas	4
Power Sector	57
TOTAL	157

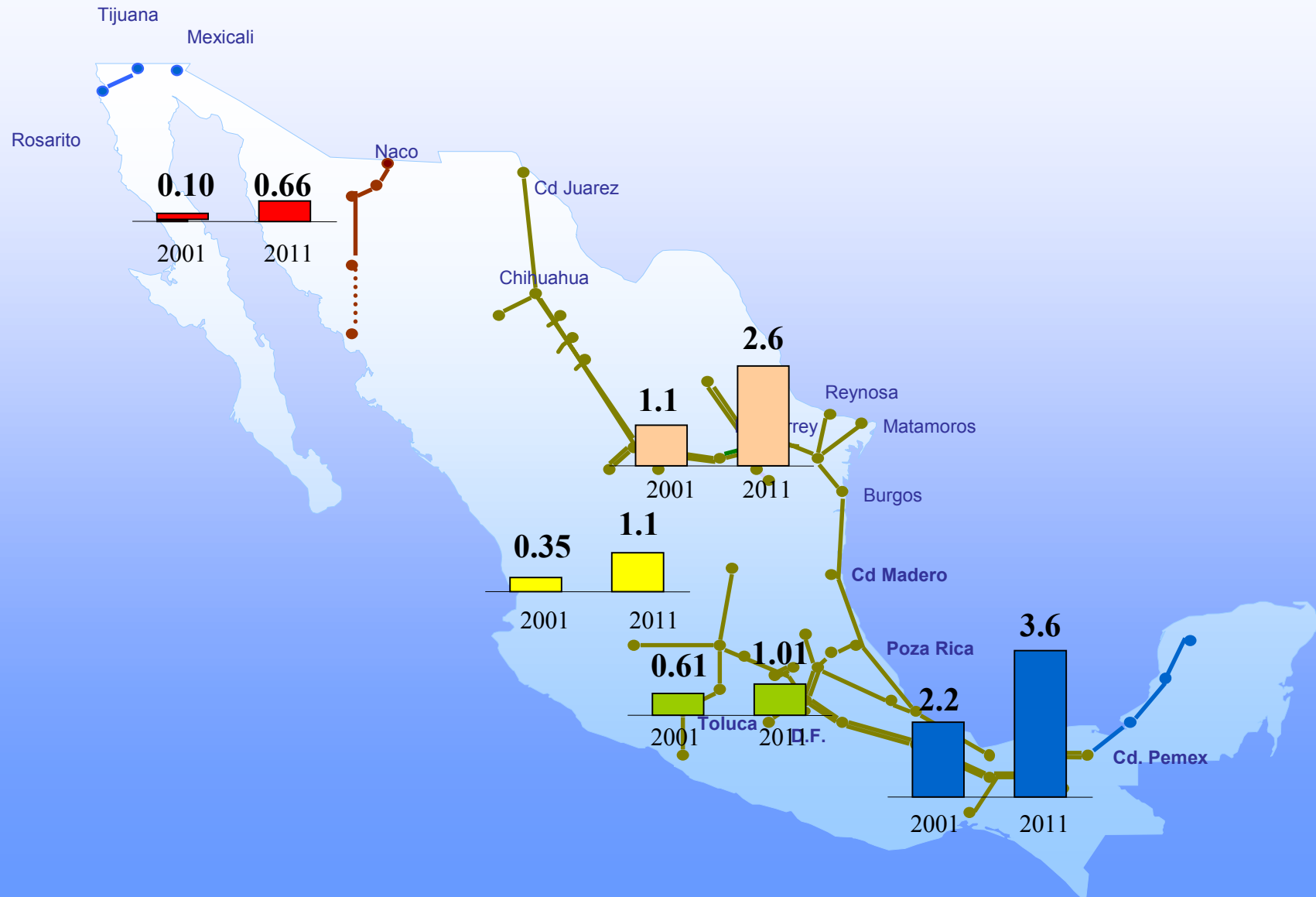
Natural Gas Demand by Sector
(million of cubic feet per day)



¹ Others: Residential, services and transport



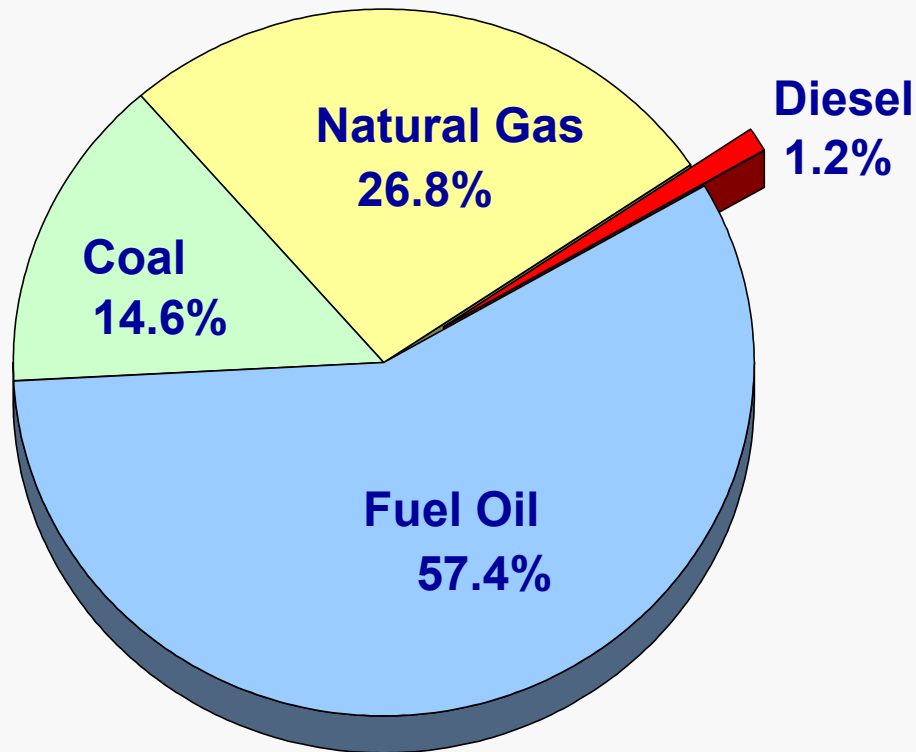
Regional Growth in Natural Gas Demand (Bcfd)



Fuel Consumption for Power Generation

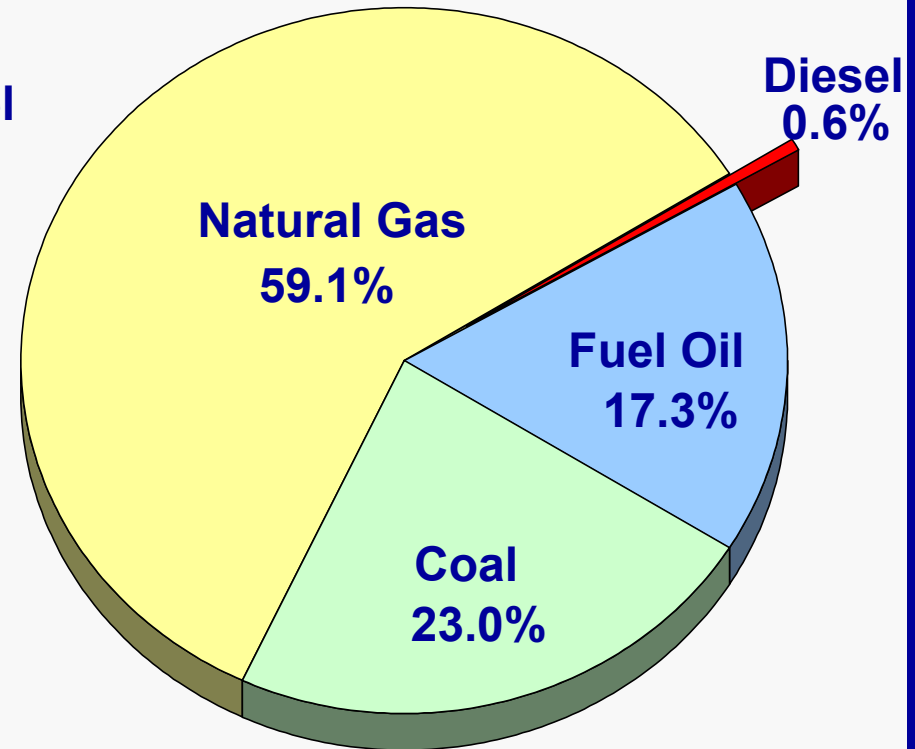
2001

4,369 Terajoules/day

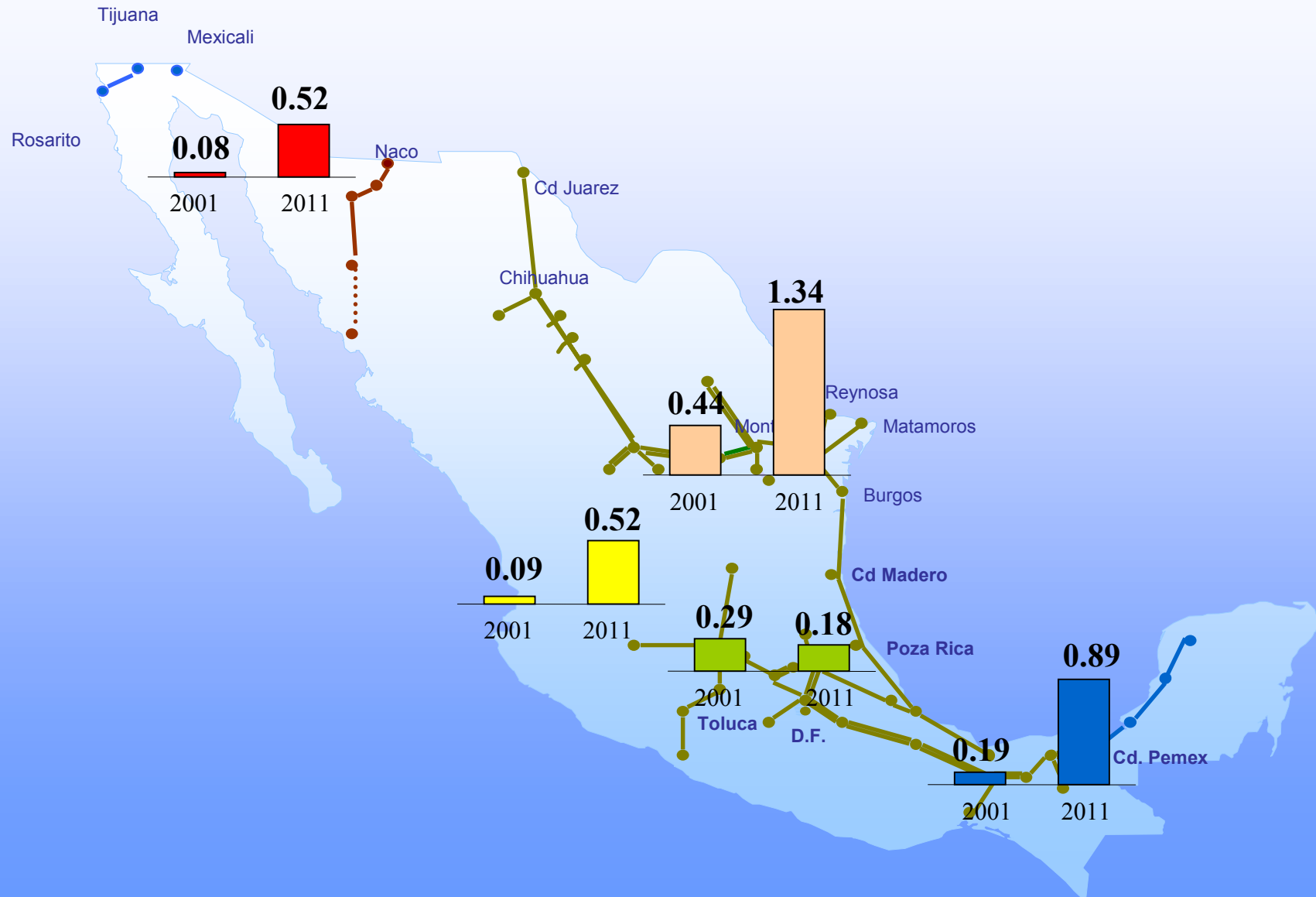


2011

6,184 Terajoules/day



Regional Natural Gas Demand for Power Generation (Bcfd)



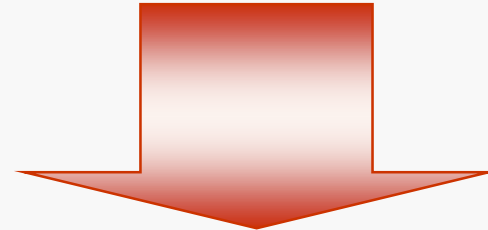
III. LNG Projects in Mexico

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



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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