

Mexico Energy Outlook

World Energy Outlook Special Report



International
Energy Agency
Secure
Sustainable
Together

ITAM

Mexico City, 27 October 2016

Founded in 1974

- Formed in wake of 1973 oil embargo with mission to promote member country energy security -- autonomous agency of the Organisation for Economic Cooperation and Development (OECD)

29 member countries

- **Asia Pacific**: Australia, Japan, Korea and New Zealand
- **North America**: United States, Canada
- **Europe**: Austria, Belgium, Czech Rep, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey and United Kingdom
- **European Commission** also participates in the work of the IEA
- **Chile and Mexico** are in the process of accession to become members of the IEA

Headquarters: Paris

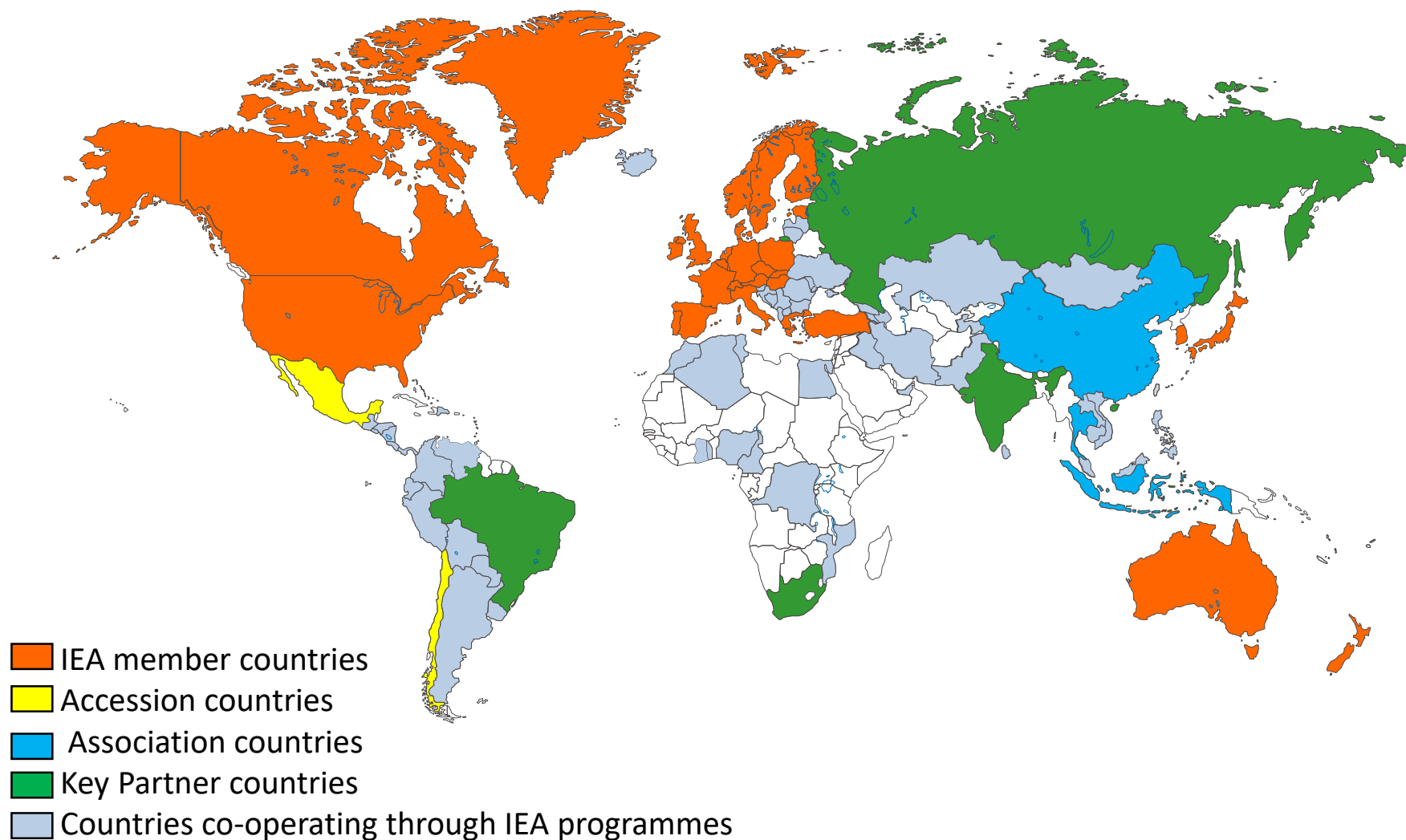
Decision-making body: Governing Board

- Consists of member country representatives
- Under the Governing Board, several committees are focusing on each area

Secretariat:

- **Staff of around 240**, mainly energy experts and statisticians from its member countries

IEA worldwide engagement



Context for a bold Reform

■ Pre-Reform pathway not sustainable

- *Declining oil production & exports*
- *Inefficiencies in the power sector undercut competitiveness*
- *Large solar & wind potential untapped*

■ Vision of a more productive, efficient & clean energy sector

- *Historic constitutional, legal & regulatory changes*
- *Channels to attract new investment & technology*
- *Leadership on climate & other environmental issues*

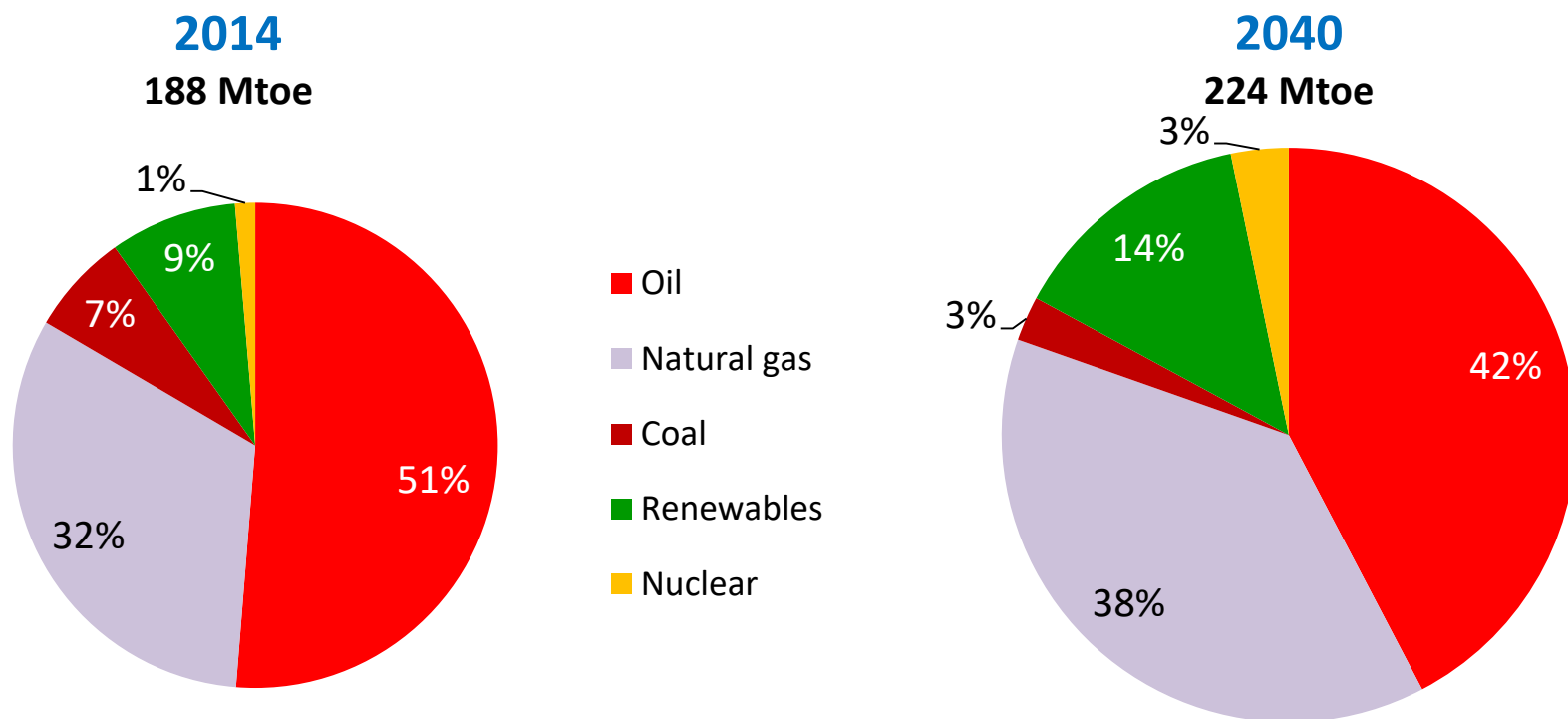
■ Impact of lower oil & natural gas prices

- *Oil fall has hit government finances & upstream budgets*
- *But US shale revolution a boost for the power sector*

Natural gas & renewables rebalance Mexico's energy mix

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Primary energy demand in Mexico

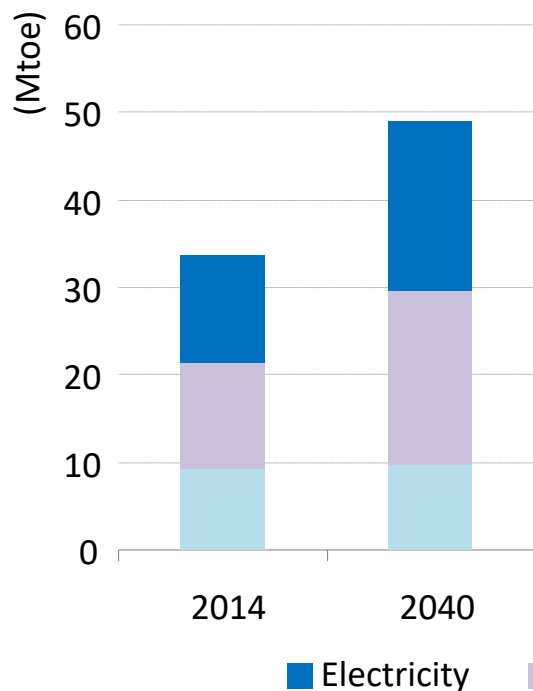


The current share of oil in Mexico's energy mix is higher than in the Middle East, 20 percentage points above the global average

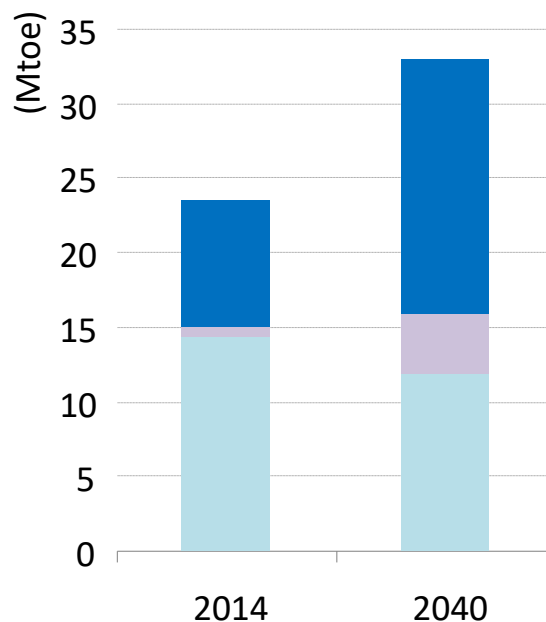
The scope for growth & efficiency

End-use energy consumption in Mexico

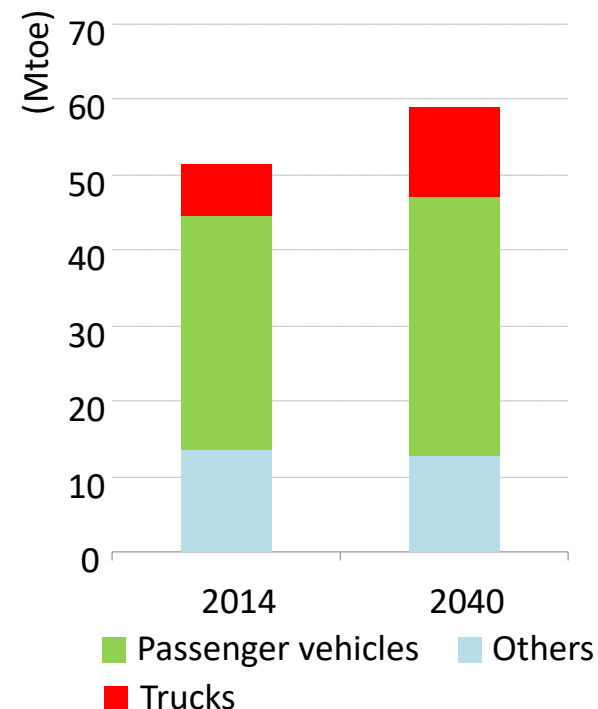
Industry



Buildings



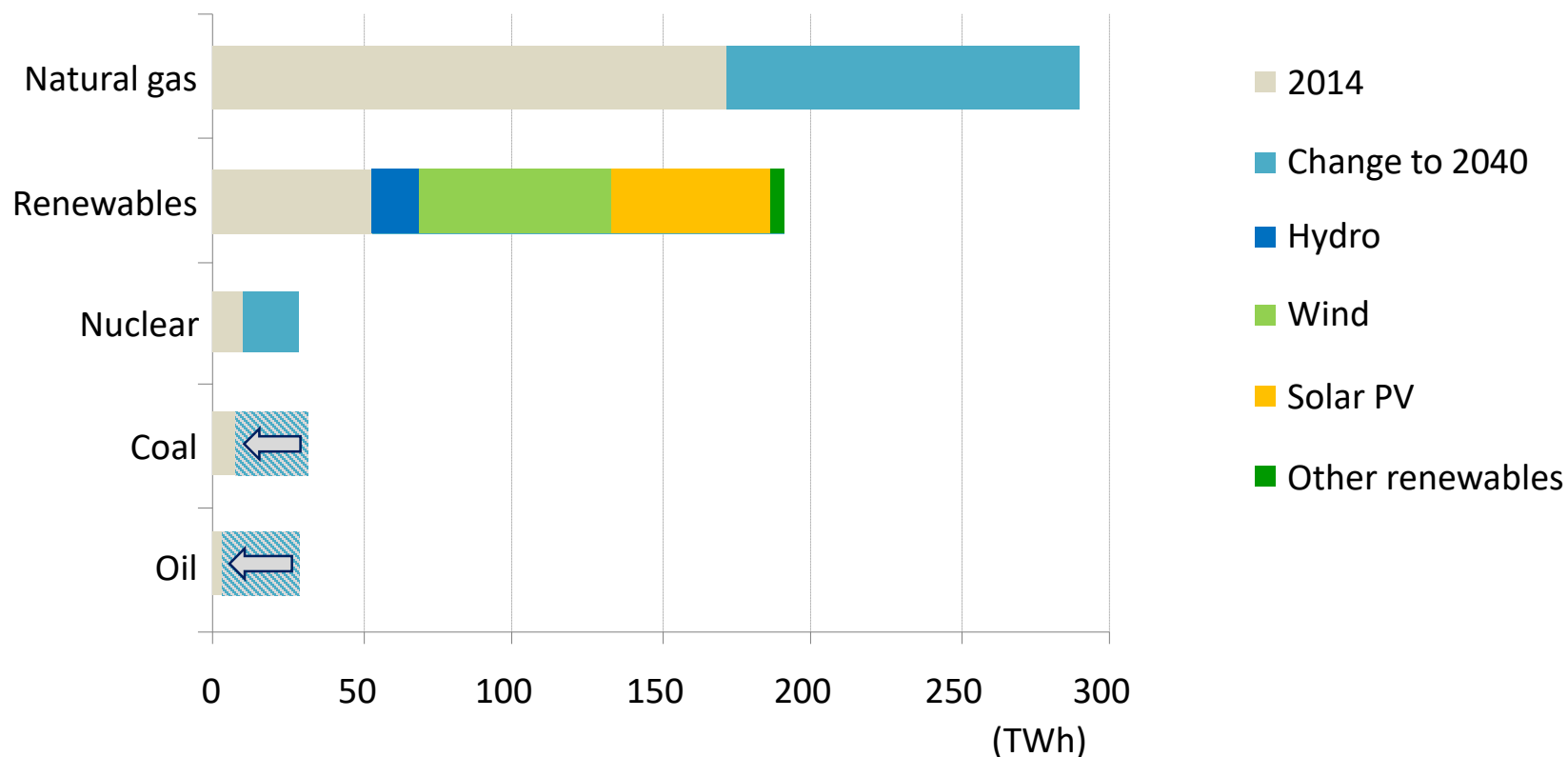
Transport



***Electricity accounts for almost half the growth in final consumption to 2040;
the need for strong efficiency policies applies across all end-use sectors***

A clean break with the past

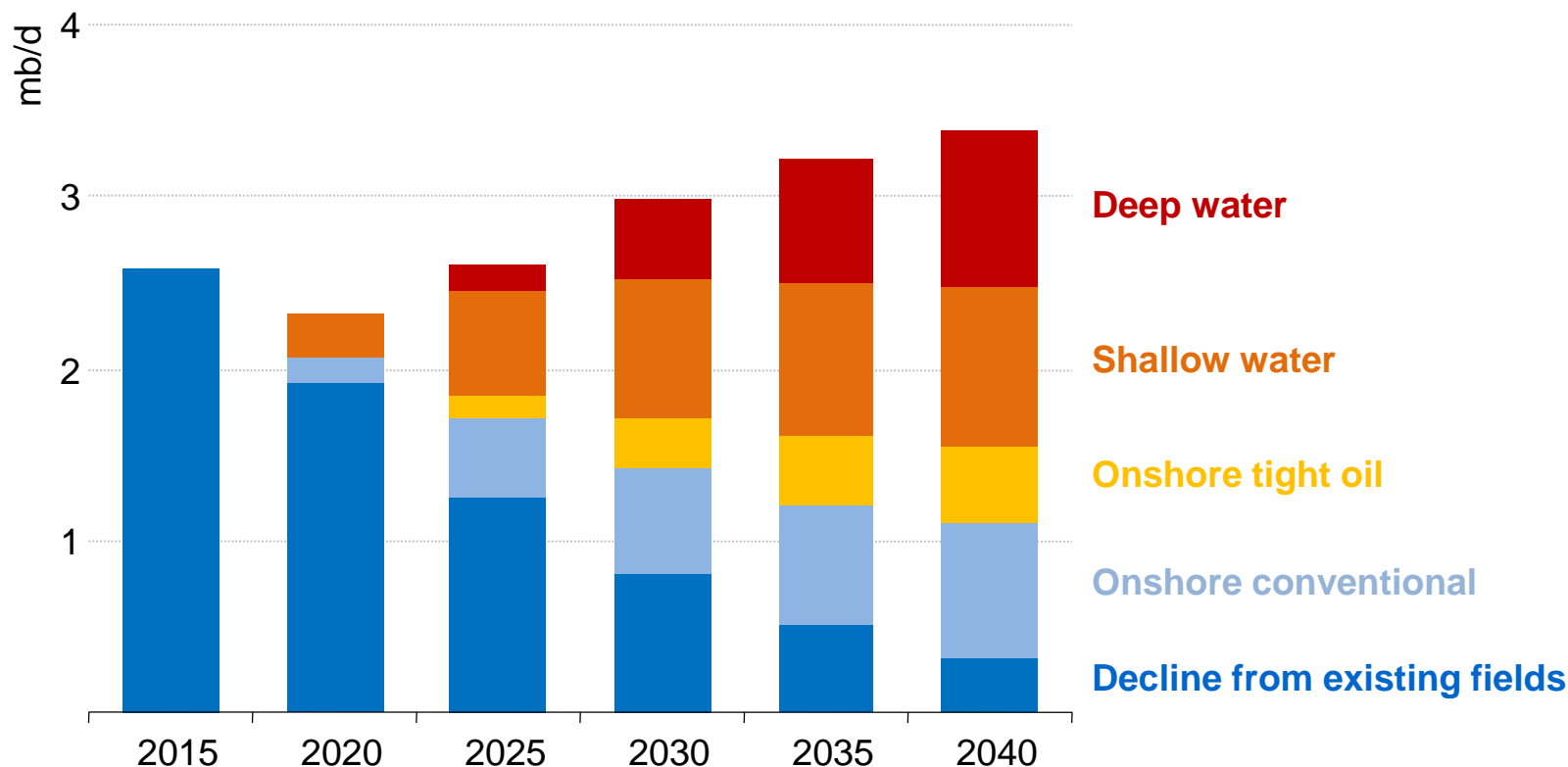
Power generation mix in Mexico



The new auctions deliver cost-effectively on Mexico's clean energy targets, while fuel switching & lower network losses also help to bring down electricity supply costs

Time to turn the oil sector around

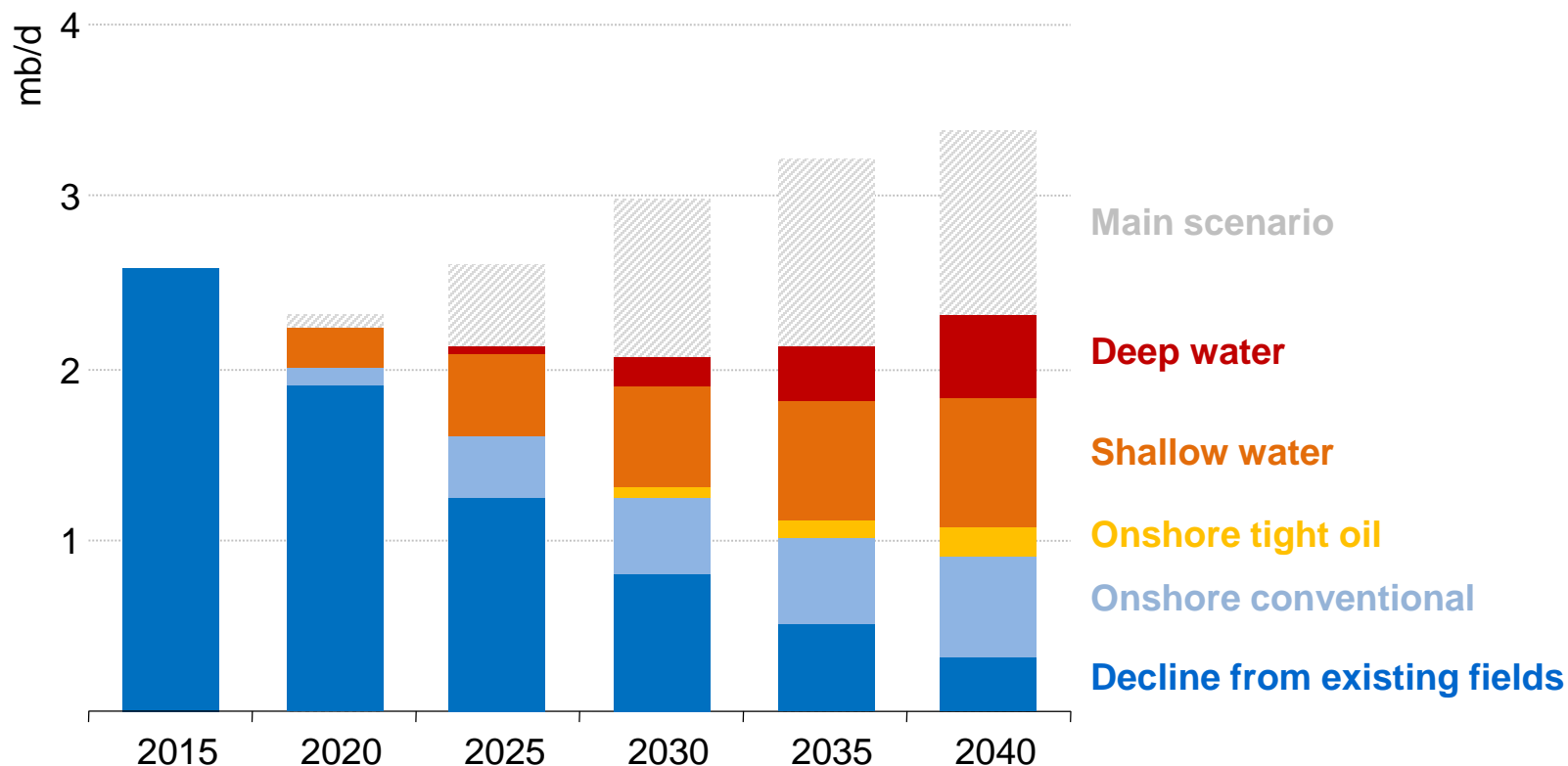
Total oil production (crude oil plus natural gas liquids) in Mexico



New partnerships, technologies and players help Mexico to develop new resources, notably in deepwater & tight oil, while slowing declines in the shallow offshore

Without the Reform, oil struggles to recover

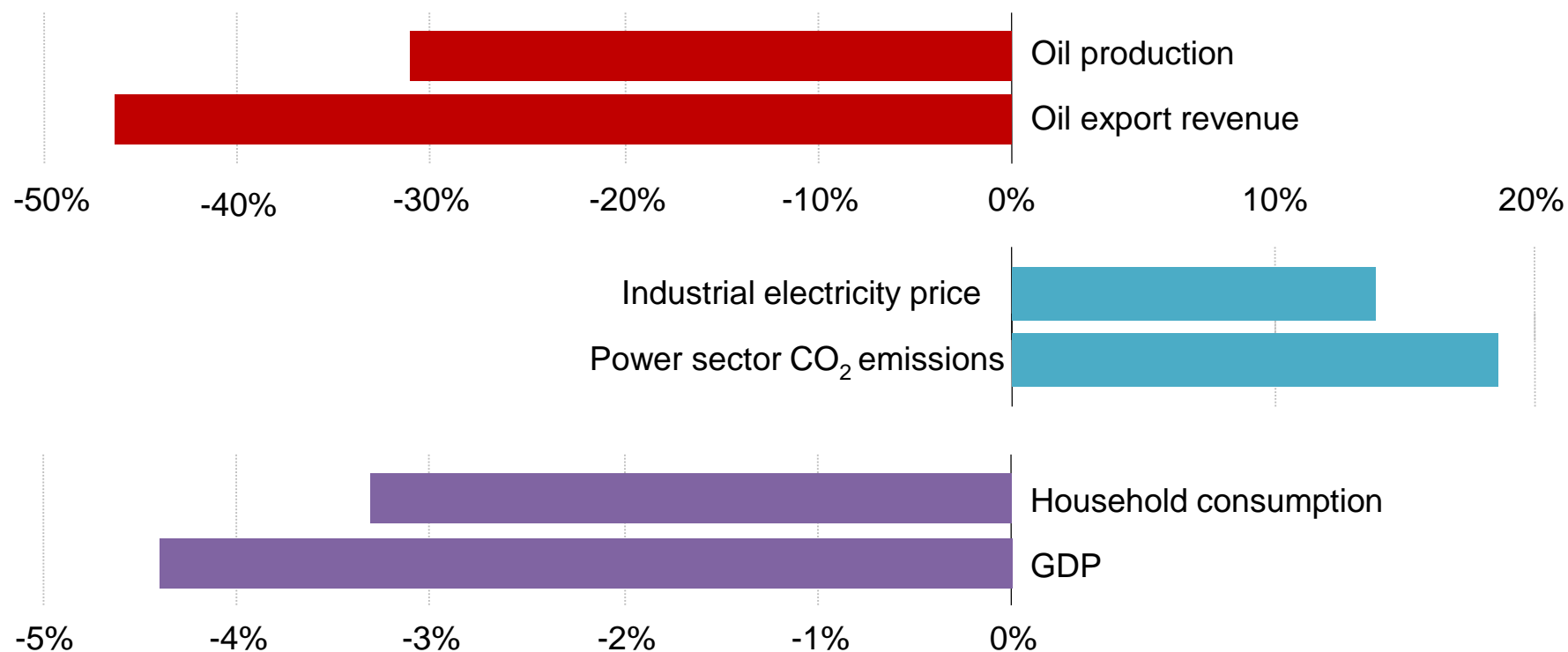
Total oil production (crude oil plus natural gas liquids) in a No Reform Case



Maintaining the pre-Reform patterns of investment leaves oil production more than 1 mb/d lower by 2040, removing an important source of non-OPEC supply growth

A “No Reform Case” has impacts well beyond the energy sector

Change in the No Reform Case versus the main scenario, 2040



Lower investment in the economy, higher costs for industry and lower household consumption leave a cumulative \$1 trillion gap in GDP to 2040

Conclusions

- **The Reforma Energética equips the energy sector with the tools to meet the need & aspirations of a modern Mexico**
- **Many tasks lie ahead to mobilise new investment, develop regulation & institutions, but the initial signs are positive**
- **Allowing PEMEX & CFE to focus on their strengths & others to compete on an equal footing is key to a productive energy sector**
- **Mexico's leadership on energy & climate offers a valuable blueprint for other countries coping with today's multiple challenges**
- **With international engagement on energy more important than ever, the IEA stands ready to be a strong partner for Mexico**

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