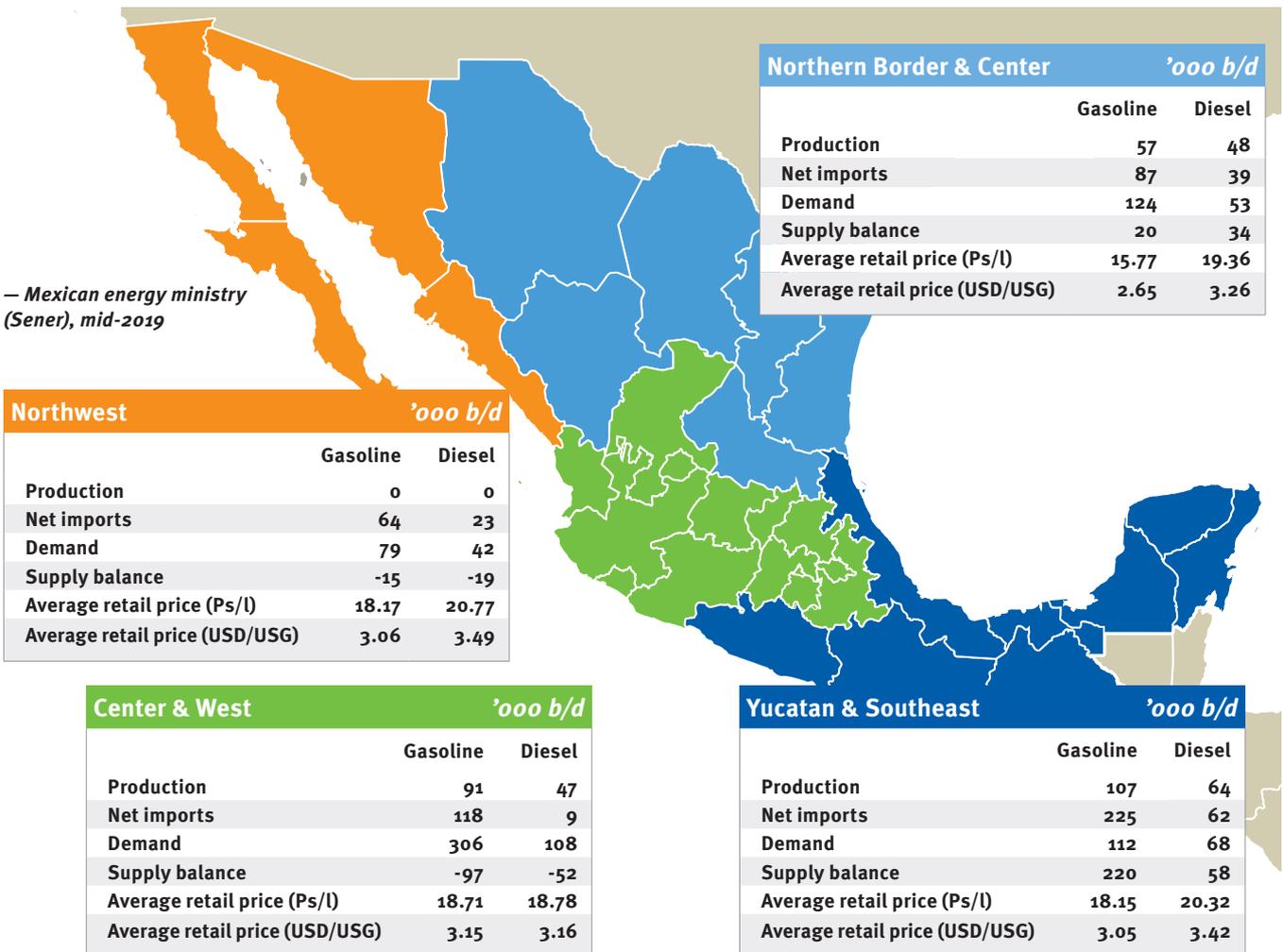


Argus Market Insight: Fueling Many Mexicos



Mexico's fuel markets function as many markets in one country, with stark regional differences in fuel supply, pricing and infrastructure. Argus Mexico Fuel Markets regularly looks in-depth at the unique regional characteristics that are essential to understand the inner workings of Mexico's markets.

Mexico zones



— Mexican energy ministry (Sener), national energy regulatory commission (CRE)

Regional Mexico fuel market highlights

Center and West

Mexico's most concentrated fuel market in the center of the country is also its most complicated to supply. Central Mexico — which includes Mexico City and the surrounding cities Puebla, Cuernavaca, Toluca and Pachuca — consumes about 30pc of the country's refined products for motor vehicles, despite it taking up only 1pc of the country's land mass, according to the Mexican energy ministry (Sener).

Big city, big challenges

No other city in the Americas or in Europe has more inhabitants than Mexico City, with 22mn people in the greater urban area. There were 5.5mn motor vehicles registered in the capital in 2017. But Mexico City has relatively few service stations, with just one station for every 32,000 inhabitants — similar to Manhattan, New York.

Northwest

Plans to increase availability of refined products in Mexico's northwestern and Pacific regions advanced slowly in 2020 because of permitting and other delays related to the Covid-19 pandemic. New import and storage infrastructure is still needed to increase competition and energy security. Despite its proximity to abundant fuels supply from major west coast US refiners, Mexico's northwest and Pacific region down to Manzanillo is a relatively blank slate in terms of fuels infrastructure. It has the country's smallest refined products pipeline network — with no cross-border or inter-regional pipelines — and just 6pc of state-owned Pemex's total marine fuels storage capacity and no refineries.

Greenfield development

But the situation could eventually change as 16 new marine reception and storage projects — developed by companies including Semptra's Mexican unit IEnova, Invex and Windstar — with a capacity of at least 10.5mn bl are still under development.

Northern Border and Center

Political controversies focused on Mexico's northern border have done little to stem rising volumes of US refined products that flow south by pipeline and by truck. Crossing times for traffic — including tank trucks laden with fuel — have at times suddenly increased by three- to four-fold because of tighter government controls, pandemic-related disruption or security concerns. Yet the problems highlight both the importance and the fragility of the border region for the fuels market.

Overland transport gains traction

While much of the fuel crossing the border heads to the heavy demand centers around Mexico City, the region consumes about 270,000 b/d of gasoline and 140,000 b/d of diesel. This is second only to central Mexico, as the proximity to the US makes the region a major manufacturing hub, with heavy

commercial truck traffic. In towns such as Brownsville, Texas, development of multiple private-sector fuel storage terminals and associated transloading operations have boosted truck and rail transportation. Laredo, Texas, is also a leading conduit. Tanker trucks and rail are carrying a higher proportion of US diesel and gasoline exports to Mexico as independent importers gain market from state-owned Pemex and its share moving by waterborne tankers declines.

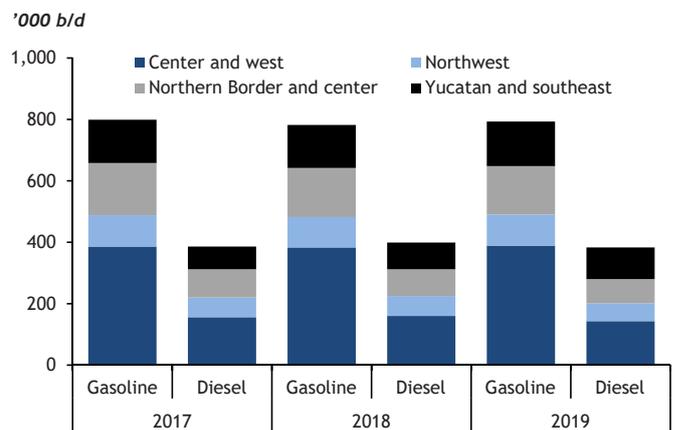
Yucatan and Southeast

Industrial customers on Mexico's Yucatan peninsula suffer from chronic natural gas shortages, but lack of refined products is rarely an issue. Customers in the central and western parts of the country saw gasoline and diesel shortages after the government shut a number of fuel pipelines for at least a week at the start of 2019 as part of an anti-theft effort. But the peninsula's Campeche, Yucatan and Quintana Roo states dodged the crisis and carried on as usual, oddly thanks to their isolated infrastructure.

Fuel island

The peninsula is essentially an island when it comes to fuels. The three states that make up the peninsula rely on the direct delivery of fuels by tankers at two Gulf of Mexico ports — Progreso in Yucatan state and Campeche. The area is also one of Mexico's largest tourism hubs, making supplying the area a priority for distributors.

Mexico's gasoline and diesel sales



— Mexican energy ministry (Sener), mid-2019

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