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# Approval of the New Legislative Framework for the Hydrocarbon Sector in Mexico

On March 18, 2025, the suite of new laws regulating the hydrocarbon sector in Mexico was published in the Official Federal Gazette (*Diario Oficial de la Federación*).

The new hydrocarbon legislation arises from the constitutional reforms implemented in late 2024, which were conducted along two main axes: (i) strategic areas and companies, published on October 31, 2024, and (ii) organizational simplification, published on December 20, 2024.

The new legislative framework includes the following new laws: Hydrocarbon Sector Law (*Ley del Sector Hidrocarburos, "LSH"*), the National Energy Commission Law (*Ley de la Comisión Nacional de Energía, "LCNE"*), the Law of the State Public Company, Petróleos Mexicanos (*Ley de la Empresa Pública del Estado, Petróleos Mexicanos, "Pemex Law"*), and the Biofuels Law (*Ley de Biocombustibles, "LB"*). Additionally, amendments to the Mexican Petroleum Fund for Stabilization and Development Law (*Ley del Fondo Mexicano del Petróleo para la Estabilización y el Desarrollo, "LFMP"*) and the Federal Public Administration Organic Law (*Ley Orgánica de la Administración Pública Federal, "LOAPF"*) were approved.

The new legislation redefines various key aspects of the sector, notably the reorganization of competent authorities in the sector and their powers, the binding planning of the State through the Ministry of Energy (*Secretaría de Energía, "SENER"*), the primary role of Petróleos Mexicanos (*"Pemex"*) and its reorganization, and new modalities for private participation in the exploration and extraction of hydrocarbons.

## I. Main Aspects of the Reform

The following main aspects stand out within the new legislative framework:

- **Sector Regulatory Entities:** The regulators of the hydrocarbon sector have been redefined. As a result of the dissolution of the National Hydrocarbons Commission (*Comisión Nacional de Hidrocarburos, "CNH"*) and the Energy Regulatory Commission (*Comisión Reguladora de Energía, "CRE"*), the entities in charge of regulation and supervision in the sector are now SENER, which assumes additional functions, and the new National Energy Commission (*Comisión Nacional de Energía, "CNE"*), as a sectorized body of SENER. Furthermore, the National Center for Natural Gas Control (*Centro Nacional de Control del Gas Natural, "CENAGAS"*) remains the independent manager and administrator of the National Integrated Natural Gas Transportation and Storage System (*Sistema de Transporte y Almacenamiento Nacional Integrado de Gas Natural, "SISTRANGAS"*). The National Agency for Industrial Safety and Environmental Protection of the Hydrocarbon Sector (*Agencia Nacional de Seguridad Industrial y de Protección al Medio Ambiente del Sector Hidrocarburos, "ASEA"*) is responsible for issuing applicable regulations and standards regarding industrial and operational safety, as well as environmental protection in the Hydrocarbon industry.

- **Strengthening and Reconfiguration of Pemex:** The state public company Pemex has been reorganized as an entity of the Federal Public Administration under SENER, with technical, operational, and

management independence, legal personality, special regime, and its own assets. In addition to changes in Pemex's organization and operation, the new legislative framework strengthens the role of this public company in the sector. Notably, the new legislation provides that the obligations of non-unduly discriminatory open access to facilities and services for transportation and distribution through pipelines and storage of Hydrocarbons, Petroleum Products, and Petrochemicals no longer apply to Pemex and its affiliated companies. Additionally, the legislation provides for repealing regulations applicable to first-hand sales and asymmetric regulation previously applicable to Pemex. How Pemex can participate in exploration and extraction activities with private entities is reconfigured in the upstream sector.

- **Activities Subject to Permit:** Amendments have been introduced for activities subject to permits, certain permitted activities have been redefined, and new activities have been introduced.

- **Private Participation Schemes in Exploration and Extraction:** Private participants may participate in exploration and extraction activities, subject to the order of precedence that gives Pemex preference in such activities and the requirements established in the LSH for such participation.

## II. Hydrocarbon Sector Law

The LSH repeals the Hydrocarbons Law (*Ley de Hidrocarburos, "LH"*) and establishes that the sector's regulation must be subject to and contribute to the objectives and actions determined in the National Development Plan (*Plan Nacional de Desarrollo*), the programs derived from it, and the public policy determined by SENER and that such planning by SENER will be binding.

### i) Exploration and Extraction of Hydrocarbons

The LSH introduces important changes in the modalities for carrying out hydrocarbon exploration and extraction activities through Assignments and Contracts for Exploration and Extraction.

**Assignment:**

SENER is responsible for granting Assignments to Pemex under the following modalities and in the following order:

- **Assignments for Self-Development (*Asignaciones para Desarrollo Propio*):** In these Assignments, Pemex will be exclusively responsible for conducting the exploration and extraction of hydrocarbons and must serve as the Petroleum Operator. Pemex may only enter into service contracts with private parties in these Assignments.

- **Assignments for Mixed Development (*Asignaciones para Desarrollo Mixto*):** If Pemex needs to supplement its technical, operational, execution, or financial capabilities to comply with the activities under an Assignment for Self-Development, it may ask SENER, with prior approval from Pemex's Board of Directors, to substitute an Assignment for Self-Development with an Assignment for Mixed Development. In these Assignments, one or more participating companies to be selected by Pemex may participate based on a procedure representing the best conditions for the Nation and Pemex. Any of the parties may serve as the Petroleum Operator, and provisions must be made to ensure Pemex maintains a participation interest of not less than 40% and that Pemex does not make economic contributions.

**Contracts for Exploration and Extraction:**

SENER, exceptionally, may enter into Contracts for Exploration and Extraction of Hydrocarbons, for which a bidding procedure must be followed per the guidelines issued by SENER and subject to the guidelines issued

by the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público, "SHCP"*) within its area of competence.

Pemex may enter into alliances or associations to participate in the bidding processes for Contracts for Exploration and Extraction under the terms of the Pemex Law, which allow for greater productivity and profitability and sharing costs, expenses, investments, risks, as well as profits, production, and other aspects of exploration and extraction, but it cannot enter into public-private partnership contracts with private parties. SENER must previously authorize alliances or associations in which the corporate and management control of the Contractor or the control of the operations in the Contractual Area is partially or totally assigned.

In Contractual Areas where cross-border reservoirs may be found, the State's participation through Pemex is mandatory and must amount to at least 20% of the project investment.

Assignments for Self-Development may migrate to Contracts for Exploration and Extraction, for which Pemex can enter into alliances or associations with private parties through a bidding process.

Contracts for Exploration and Extraction must invariably establish that Hydrocarbons in the subsoil are the property of the Nation.

### ii) Other Activities in the Hydrocarbon Industry

Under the terms of the LSH, the following activities in the hydrocarbon industry require a permit:

| From SENER: | From the CNE: |
|---|---|
| Treatment, refining, import, export, Transportation, Storage, and Commercialization of Petroleum | Processing, liquefaction, regasification, decompression, Transportation, Storage, Commercialization, and Retail Sale of Natural Gas |
| Import and export of Natural Gas | Formulation, Transportation, Storage, Commercialization, and Retail Sale of Petroleum Products |
| Import and export of Petroleum Products | Transportation, Storage, and Commercialization of Petrochemicals |
| Import and export of Petrochemicals | Management of Integrated Systems |

The LSH establishes the requirements that interested parties must meet to obtain the above permits.

Permit holders for these activities must comply with the obligations of making weekly submissions of information related to volumetric controls, measurement, and quality of Hydrocarbons, Petroleum Products, and Petrochemicals, subject to the respective permits, as well as commercial operations carried out with customers and suppliers, and any other information that the competent authorities require for supervision and statistical purposes of the energy sector, in terms of what is established by applicable regulations.

Regarding imports, the LSH establishes that import permit holders will be jointly liable in tax matters for other regulated activities associated with the import, for which the provisions of the SHCP must be followed.

Likewise, SENER or the CNE, within their respective areas of competence and in the exercise of their verification or supervision powers over regulated activities, may impose the immediate provisional suspension of the permitted activity as a precautionary measure in certain cases.

The LSH establishes the authority of SENER and the CNE, within their areas of competence, to temporarily occupy or intervene, in order to guarantee the interests of the Nation, with the understanding that the rights of third parties are safeguarded, indicating that for the continuity in the operation of the activities covered by the permit, the authority may contract state public companies for the management and control of the occupied, intervened, or suspended facilities.

### iii) Commercialization

The LSH defines Commercialization as the offering in national territory to permit holders, Users, or End Users of the purchase and sale of Hydrocarbons, Petroleum Products, or Petrochemicals. This may include the management or contracting of Transport, Storage, or Distribution services of such products, as well as value-added services for the benefit of permit holders, Users, or End Users.

Likewise, the LSH establishes that the LSH regulations and administrative provisions must establish the terms and conditions of the Commercialization permit for Hydrocarbons, Petroleum Products, and Petrochemicals.

### iv) Distribution

The LSH provides that the LSH regulations and administrative provisions must establish the terms and conditions of the Distribution permit for Natural Gas and Petroleum Products.

### v) Formulation

The LSH introduces Formulation as a new permitted activity, defining it as the mixing of Petroleum Products with additives and biofuels to obtain products that comply with the quality specifications established in the applicable regulations that determine it. To carry out any other permitted activity under the terms of the LSH, the Formulation permit holder must have the corresponding permit.

In relation to Formulation, the LSH provides that the LSH regulations and administrative provisions must establish the terms and conditions of the Formulation permit.

### vi) Regulation of Considerations, Prices, and Tariffs

Within its area of competence, the CNE may issue generally applicable provisions for regulating the activities referred to in the LSH, including matters related to determining applicable considerations, prices, and tariffs.

The regulation of considerations, prices, and tariffs that is established, with the exception of Distribution and Retail Sale of Liquefied Petroleum Gas, gasoline, and diesel, must contemplate the taxes determined by applicable laws and consider, among other elements, that (i) in relation to goods and services capable of being internationally marketed, considerations, prices, and tariffs must be set considering the opportunity cost and competitive conditions prevailing in the international market for these products, free of taxes, contributions, or liens, and (ii) with respect to goods or services that are not capable of being marketed in the international market, they must be set according to generally applicable methodologies for their calculation issued for such purpose, considering, among others, the estimation of efficient costs to produce the good or provide the service, as well as obtaining a reasonable return that reflects the opportunity cost of the invested capital, the estimated cost of financing, and the inherent risks of the project.

However, the LSH establishes that, concerning considerations, prices, and tariffs regarding Distribution and Retail Sale of Liquefied Petroleum Gas, gasoline, and diesel, the CNE may establish methodologies to guarantee the population's well-being and control of inflation in Petroleum Products.

### vii) Open Access

The LSH maintains the obligation that permit holders who provide third parties with Transport and Distribution services through pipelines, as well as Storage of Hydrocarbons, Petroleum Products, and Petrochemicals, grant open access that is not unduly discriminatory to their facilities and services, subject to capacity availability in their systems, in terms of public policies and regulations issued by SENER or the CNE, within their areas of competence. However, the LSH establishes that the obligation of open access that is not unduly discriminatory does not apply to state public companies or their affiliates.

### viii) Cross Participation

The LSH maintains the obligation that individuals or entities who, directly or indirectly, own equity of end Users, producers, or marketers of Hydrocarbons, Petroleum Products, and Petrochemicals that use Transport services through pipelines or Storage subject to open access may only participate, directly or indirectly, in the equity of permit holders that provide these services when such cross participation does not affect competition, efficiency in the markets, and effective open access, for which they must conduct their operations in independent systems or establish legal and corporate mechanisms that prevent intervention in any way in the operation and administration of the respective permit holders.

However, unlike what was provided in the LH, according to the LSH, the approval of cross-participation will correspond to SENER (instead of the now-defunct CRE), with the favorable opinion of the competent authority in matters of economic competition.

## III. Pemex Law

The new Pemex Law, derived from the constitutional reform of strategic areas and companies, establishes Pemex's transformation from a state productive company to a state public company as an entity of the Federal Public Administration under SENER, with technical, operational, and management independence, legal personality, special regime, and its own assets.

The Pemex Law establishes that the activities carried out by Pemex do not constitute monopolies and that Pemex's purpose is the development of exploration, extraction, import, export, transformation of hydrocarbons activities, as well as storage, commercialization, formulation, transport, distribution, and sale of hydrocarbons and their derivatives; and the development of activities related to energy sources other than those derived from hydrocarbons, to preserve the sovereignty, security, sustainability, self-sufficiency, and energy justice of the Nation.

In reference to affiliated companies, the Pemex Law provides that Pemex may have affiliated companies, which are those companies in which Pemex holds, directly or indirectly, a more than fifty percent stake in their equity, regardless of whether they are incorporated under Mexican or foreign legislation. Such affiliated companies are not parastatal entities, and their legal nature and organization will conform to the private law of the place of their incorporation or creation.

According to the new legislation, *Pemex Exploración y Producción*, *Pemex Transformación Industrial*, and *Pemex Logística* are extinguished, and Pemex will assume all their rights and obligations.

Likewise, the new law provides that Pemex and its affiliated companies may enter into contracts with private parties or schemes for mixed development, including modalities that allow them to associate or share costs, expenses, investments, risks, and other aspects of the activities of which they are holders, under the provisions of the LSH and the provisions issued by Pemex's Board of Directors.

The entities with whom Pemex enters into acts or contracts have no right to register the petroleum reserves that exclusively belong to the Nation as their assets.

In matters of dispute resolution, it is established that national disputes in which Pemex is a party are within the jurisdiction of Mexican federal courts, without prejudice to the fact that Pemex may agree to alternative dispute resolution methods, arbitration clauses, or commitments in terms of applicable commercial legislation and international treaties to which the Mexican State is a party. Regarding legal acts or contracts that take effect or are executed outside of Mexico, Pemex may agree to the application of foreign law, the jurisdiction of foreign courts in commercial matters, and enter into arbitration agreements when it is convenient to fulfill its purpose.

The transitory articles of the Pemex Law establish that contracts, agreements, and other legal acts entered into by Pemex and its now-defunct productive subsidiary companies must be recognized under the agreed terms. However, Pemex may agree to their amendment to adjust them to the provisions of the Pemex Law and other applicable laws, based on the regulations issued by Pemex's Board of Directors. Likewise, it is established that what is provided in the Pemex Law does not affect the undertaken payment obligations and the guarantees granted by Pemex and by its now-defunct productive subsidiary companies in Mexico and abroad before the entry into force of the Pemex Law.

## IV. Next Steps: Implementation of Secondary Regulation

The new framework applicable to Mexico's hydrocarbon sector still has a way to go until implementation since, in addition to the approval of constitutional modifications and the legislative framework, SENER and the CNE will have to elaborate and adapt multiple regulations, standards, and other regulatory devices to execute the reform.

It will be crucial for all participants and potential investors to continue to closely monitor developments in regulatory matters. For further details or assistance, the **Pérez-Llorca** team specialized in Projects, Energy, and Infrastructure is at your disposal.

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