Dr. Fatih Birol, Executive Director
Tim Gould, Head of Division, WEO

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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

Primary energy demand in Mexico

**2014**
- 188 Mtoe
- Oil: 51%
- Natural gas: 32%
- Coal: 7%
- Renewables: 9%

**2040**
- 224 Mtoe
- Oil: 38%
- Natural gas: 42%
- Coal: 3%
- Renewables: 14%

The current share of oil in Mexico’s energy mix is higher than in the Middle East, 20 percentage points above the global average.
Electricity accounts for almost half the growth in final consumption to 2040; the need for strong efficiency policies applies across all end-use sectors.
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.

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