



## COMMODITIES NEWS

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## Mexico's Pemex sees poor environmental record as threat to financing

By Stefanie Eschenbacher



MEXICO CITY, Dec 23 (Reuters) - Mexican state oil company Petroleos Mexicanos (Pemex) said it has been falling behind in a global race to transition from fossil to renewable energy sources, and that stricter demands from environmentally conscious investors pose a threat.

Investors have for years considered Pemex a laggard as rivals worldwide moved to dramatically decrease emissions from energy production and consumption over climate change concerns.

In its updated business plan for 2023 to 2027, Pemex said its environmental, social and governance (ESG) record risked hurting its financing.

“Limitations from ESG financing” are posing a threat, as is the “acceleration in energy transition that is decreasing the market for Pemex’s crude oil and products,” the company said.

Further weaknesses are “important gaps in reaching net-zero-emissions” and operational challenges, particularly in gas exploration and production.

Julia Gonzalez, an expert on energy and infrastructure at law firm Gonzalez Calvillo, said Pemex urgently needed private investment and that Mexico should not exclusively rely on public funds to maintain or improve infrastructure.

“Pemex has to make significant efforts if it intends to access financing,” said Gonzalez. “It’s increasingly important to prevent and mitigate risks associated with ESG, including, of course, climate change.”

While the business plan reiterated promises made by President Andres Manuel Lopez Obrador to reduce Pemex’s emissions, it focused on oil and gas production and exploration as well as refining rather than shifting toward renewables.

Lopez Obrador says he inherited a company weakened by decades of mismanagement and corruption under his predecessors. Even so, his energy policies have limited participation by private companies that could bring in funds.

This year, Pemex has come under increased pressure to reduce the vast amounts of natural gas it burns off - including at two of its top priority fields, Ixachi and Quesqui - to the detriment of the environment. (Reporting by Stefanie Eschenbacher Editing by Dave Graham and Leslie Adler)

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