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New legal regime for the energy sector in Mexico

On February 4th, 2025, the Federal Executive presented before the Senate a bill with a draft decree that includes the issuance of new secondary laws for the energy sector, as well as amendments to some existing laws (the "Bill"). If approved by Congress, the Bill would revoke the main laws that currently frame and govern the energy sector in Mexico.

The Bill derives from the amendments to Articles 25, 27 and 28 of the Political Constitution of the United Mexican States (the "Constitution") regarding State strategic sectors and companies, and organic simplification published in the Official Gazette of the Federation ("DOF") at the end of 2024.

The new laws included in the Bill's legislative package are as follows:

- I. Electricity Sector Law**
- II. Hydrocarbons Sector Law**
- III. Law of the National Energy Commission**
- IV. Law of the State-owned Company, Federal Electricity Commission**
- V. Law of the State-owned Company, Petroleos Mexicanos**
- VI. Energy Planning and Transition Law**
- VII. Biofuels Law**
- VIII. Geothermal Energy Law**

The Bill provides for the amendment of the following laws: i) Law of the Mexican Petroleum Fund for Stabilization and Development; ii) Hydrocarbons Sector Revenues Law; and iii) Organic Law of the Federal Public Administration.

From the general analysis of the Bill, we can identify various new schemes and models of public, private and joint participation in several activities of the electricity and hydrocarbons industries, as well as modifications to the structure and competence of the regulatory bodies of the energy sector and of the Ministry of Energy ("SENER"). Likewise, modifications to the legal nature, objectives and operation of the Federal Electricity Commission ("CFE") and Petroleos Mexicanos ("PEMEX"), are expected to play a very important role.

The following is a summary of the most relevant topics of the new laws contained in the Bill.

I. Electric Sector Law

Purpose of the Electric Sector Law ("LSE"): to regulate the planning and control of the National Electric System ("SEN"), the Public Service for the Transmission and Distribution of Electric Energy, as well as other activities of the electric sector.

Binding Planning of the Electric Sector: in charge of SENER, which shall prepare the Electric Sector Development Plan. Binding planning, among other principles, shall: (i) guarantee the non-prevalence of private parties over the State. The State shall maintain at least 54% of the average of the energy injected into the grid in one calendar year. Prevalence¹ shall be achieved within a framework of operation of the Wholesale Electricity Market ("MEM"), supported by an Economic Load Dispatch², subject to restrictions of Reliability and security; and (ii) conduct planning with Energy Justice³ policies.

¹ Prevalence: preference of the State over private parties in the generation and commercialization activities, since it is responsible for guaranteeing the reliability, security, continuity and accessibility of the public electricity service. Binding planning shall guarantee the preference of the State in the referred activities, to provide the people of the United Mexican States with electricity at the lowest possible price.

² Economic Load Dispatch: process by which generation, controllable demand and storage resources are programmed to meet demand, minimizing their variable production costs and satisfying the operational, reliability and security restrictions of the SEN.

³ Energy Justice: Actions or Strategies aimed at reducing Energy Poverty, social and gender inequalities in the use of energy and promoting regional development and shared prosperity through access to reliable, affordable, safe and clean energy and energy infrastructure to meet basic needs, reducing impacts on health and environment.

Types of Activities:

- **Electricity Sector Activities:** generation, storage, transmission, distribution and commercialization of electric energy, as well as the operation of the MEM, and the supply of primary inputs for the electric sector.
- a) Generation: it can be carried out by the State, private individuals on their own or together in joint investment schemes. Generation can be carried out through the following figures:
 - i. Distributed Generation: generation of electricity in Power Plants with a capacity of less than 0.7 MW, which is interconnected in a distribution circuit that contains a high concentration of Load Centers. Does not require a permit from the National Energy Commission ("CNE").
 - ii. Self-consumption: production of a Power Plant with a capacity equal to or greater than 0.7 MW, intended to satisfy the on-site needs of the holder of the generation permit. Requires a CNE permit. Shall preferably be carried out with renewable energy. Two modalities: (i) isolated self-consumption, when the entire production of the Power Plant is exclusively destined for own consumption on site and exclusively within the Private Grid; or, (ii) interconnected self-consumption, when the production of the Power Plant is destined for own consumption on site and is interconnected to the National Transmission Grid ("RNT") or General Distribution Grids ("RGD").
 - iii. Generation for the MEM: production of electric energy and Associated Products from a Power Plant with a capacity equal to or greater than 0.7 MW, destined for commercialization through the mechanisms contemplated in the MEM. Requires a permit from CNE.
- Joint development schemes: Power Plants that are developed jointly by the State and private parties under:
 - i. Long-term production;
 - ii. Joint investment; or
 - iii. Any other scheme defined by the LSE Regulations or the provisions issued by SENER.
- Cogeneration: when the production of electric energy: (a) is carried out jointly with steam or another type of secondary thermal energy, or both; (b) when the thermal energy not used in the industrial processes of the permit holder is used for the direct or indirect production of electric energy; or (c) when fuels produced in the industrial processes of the permit holder are used for the direct or indirect generation of electric energy.
- b) Commercialization, which includes one or more of the following activities:
 - i. Providing Electricity Supply to End Users;
 - ii. Representing Exempt Generators in the MEM;
 - iii. Carrying out in the MEM the transactions of purchase and sale of electric energy, ancillary services, power, the above products via import or export, Financial Transmission Rights, Clean Energy Certificates ("CEL"), and the other products, collection rights and penalties that are required for the efficient operation of the SEN;
 - iv. Enter into Electric Coverage Contracts with Generators, Marketers and Qualified Users Market Participants;
 - v. Acquire the transmission and distribution services based on the Regulated Rates;
 - vi. Acquire and sell the Ancillary Services not included in the MEM, with the intermediation of the National Center of Energy Control ("CENACE"); and
 - vii. The others that SENER determines.

- c) Electric Supply:
 - i. Basic Service Supplier: with the exception of Qualified Users, this supply is offered to all users who request it, provided that it is technically feasible and complies with the applicable provisions, under conditions that are not unduly discriminatory.
 - ii. Qualified Service Supplier: may offer Qualified Supply to Qualified Users under conditions of free competition.
 - iii. Last Resort Supplier: shall offer Last Resort Supply to the Load Centers of Qualified Users that require it and that are located in the areas where they operate, provided that this is technically feasible and complies with the applicable provisions, under conditions that are not unduly discriminatory.
- d) Energy Storage: SENER can establish the terms, conditions and modalities under which the Electric Energy Storage Systems participate in the activities of the electric sector, as well as the necessary permits and requirements. CENACE shall include the guidelines related to the Electric Energy Storage Systems within the MEM.
- e) Operation of the MEM: CENACE is in charge of the operation of the MEM. CNE monitors the operation of the MEM and the determinations of CENACE, to ensure the efficient operation of the MEM and compliance with the Market Rules.
- f) Other activities: the following activities do not require a Supplier permit or registration and are not considered commercialization:
 - i. The sale of electric energy from an End User to a third party, provided that the electric energy is used within a Private Grid; and
 - ii. The sale of electric energy from a third party to an End User, provided that the electric energy is generated from Distributed Generation within the facilities or Private Grid of the End User, and said facilities are located on the same property.
- **Exclusive Strategic Areas of the State:**
 - a) Operational Control of the SEN: it is exercised by the State through CENACE and consists of the issuance of instructions related to (i) the assignment and dispatch with Reliability of the Power Plants and the Controllable Demand; (ii) the operation of the RNT for the public Transmission service; and (iii) the operation of the RGD.
 - b) Public Service for the Transmission and Distribution of Electric Energy: The Transport Company and the Distributor are responsible for the RNT and the RGD and operate their grids in accordance with the instructions of CENACE, who shall prioritize the use of these grids to guarantee the Reliability of the SEN.
- **Strategic Activity for National Development:** Basic Supply, which can only be provided by the CFE, given that the people of the United Mexican States shall be provided with electricity at the lowest possible price.

Considerations after the publication of the LSE:

1. The operation of the MEM shall be carried out in accordance with the applicable provisions in force at the time of the publication of the LSE and until new provisions are issued.
2. Upon the entry into force of the LSE, all permits, contracts or any instrument or administrative act granted under the Public Electricity Service Law will continue to have effect until the end of their validity, governed by the terms under which they were granted and the provisions in force at the time of their formalization.

3. SENER shall promote that the holders of permits under the Public Electricity Service Law - self-supply, cogeneration, small production, independent production, import, export and continuous own uses and the contracts and agreements linked to them - can request migration to the figures of the LSE in an expeditious manner through strategies or programs that include administrative simplification and technical agility.

4. Upon the entry into force of the LSE, all permits, contracts or any instrument or administrative act granted under the Electricity Industry Law will continue to have effect until the end of its validity, governed by the terms under which they were granted and the provisions in force at the time of their formalization.

5. Contracts, as well as any other act derived from them that have been entered into with State productive companies and their subsidiaries under the Electricity Industry Law, shall be transferred to the State public companies, and therefore continue to be governed by the terms established in the legal acts and other provisions emanating from said Law, and in what does not oppose the above, by the provisions of the LSE and its transitional articles.

6. Applications for authorization, approval or permits that have been received prior to the entry into force of the LSE shall be processed in accordance with the legal provisions in force at the time of their entry into force.

II. Hydrocarbons Sector Law

Reconnaissance, Exploration, and Extraction Activities

The Hydrocarbons Sector Law ("LSH") establishes that these activities can be carried out by PEMEX or any other State-owned Company or parastatal entity, as well as by any individual, with prior authorization or permit. The information obtained from these activities belongs to the Mexican Nation and must be delivered to SENER.

• **Entitlements**

SENER will be responsible for granting the Entitlements to PEMEX under the following modalities: a) Entitlements for Own Development; and b) Entitlements for Joint Development.

SENER will determine the area to be granted in an Entitlement, as well as the technical and operational terms and conditions. If PEMEX decides not to develop the area, SENER may decide that its development be carried out by other legal entities through an Exploration and Extraction Contract.

a) Entitlements for Own Development

SENER may grant titles for Entitlements for Own Development for the Exploration and Extraction of Hydrocarbons exclusively to PEMEX, which must act as the Operator.

PEMEX may only enter into services agreements with private parties under schemes that ensure maximum productivity and profitability, provided that compensation is paid in cash.

PEMEX may request SENER, with prior authorization from its Board of Directors, to substitute an Entitlement for Own Development for an Entitlement for Joint Development.

b) Entitlement for Joint Development

SENER may grant Entitlements for Joint Development to PEMEX, if requested, given that PEMEX needs to complement its technical, operational, financial, or execution capabilities for the Exploration and Extraction activities, for which it must have one or more Participants.

PEMEX and one or more Participants will enter into a "Joint Agreement," which will establish the terms and conditions for carrying out activities inherent to the Entitlement. Among other aspects: the participation interest (PEMEX must maintain a participation interest of no less than 40%),



cooperation, risks, rights and obligations over assets, liabilities, and compensations, as well as the mechanism for agreeing on technical, operational, and budgetary decisions in the operation. It is established that PEMEX should not make economic contributions.

The selection of the participant(s) must be carried out under the best practices in the matter and ensuring the best conditions for the Mexican State and PEMEX. Joint Agreements must be registered before SENER.

The ownership of Hydrocarbons in the subsoil will belong to the Mexican Nation. These Joint Agreements can only be amended by SENER, with prior agreement with PEMEX, on an exceptional basis. Commercial law and common law are applicable for the execution and performance of Joint Agreements.

- **Exploration and Extraction Contracts**

These may be granted by SENER on an exceptional basis when PEMEX expressly notifies that it has no interest or capacity for their development. The selection of the Contractor must be carried out through a bidding process.

SENER must establish the contracting model for each Contractual Area to be tendered or awarded by choosing from, among others, service contracts, shared utility or production contracts, or license contracts (same modalities provided in the Hydrocarbons Law).

PEMEX may enter into alliances or associations to participate in the bidding processes for Exploration and Extraction Contracts. Alliances or associations can be carried out under schemes that ensure maximum productivity and profitability. PEMEX cannot enter into public-private partnership agreements with private parties.

SENER must authorize the formation of alliances or associations. SENER may include mandatory participation of the Mexican State, through PEMEX, including the percentage of participation. In areas with transboundary reservoirs, PEMEX's participation is mandatory (at least by 20%).

For disputes related to Exploration and Extraction Agreements, alternative mechanisms, such as arbitration, may be provided for their resolution.

Migration of Entitlements for Own Development to Exploration and Extraction Agreements may be requested, with SENER's authorization.

- **Other Authorizations**

PEMEX and Contractors must obtain authorization from SENER according to the regulations it issues to carry out well drilling. SENER shall also authorize the Surface Reconnaissance and Exploration activities to investigate the possible existence of hydrocarbons.

In total, the Exploration and Extraction activities carried out by Entitlements and Contracts must achieve an average of at least 35% of national content.

Other Activities of the Hydrocarbons Industry:

- **Permits**

The following activities will require a permit from the corresponding authorities:

SENER	CNE
Treatment, refining, import, export, transportation, storage, and commercialization of Oil .	Processing, decompression, liquefaction, transportation, regasification, storage, distribution, commercialization, and public sale of Natural Gas .

SENER	CNE
Import and export of Natural Gas .	Formulation, transportation, storage, distribution, commercialization, and public sale of Oil Products .
Import and export of Oil Products .	Transportation, storage, and commercialization of Petrochemicals .
Import and export of Petrochemicals .	Management of integrated systems .

SENER and CNE are responsible for regulating and supervising, as well as granting, modifying, updating, suspending, and revoking permits for the referred activities.

Permit holders of these activities must comply with the obligation to submit weekly information related to volumetric controls, measurement, quality of Hydrocarbons, Oil Products, and Petrochemicals, as well as commercial operations with clients and suppliers, and other information required by the Mexican authorities for supervision and statistical purposes.

SENER and CNE, within their relevant attributions, may coordinate with PEMEX or any governmental Mexican authority (at all three levels) to verify and ensure that activities under the LSH are carried out without prejudice to public and social interest.

The LSH will establish the requirements that applicants must meet to obtain permits, and specific evaluation criteria may be issued by the competent Mexican authorities.

The definition and scope of obligations regarding commercialization under the LSH are broader and differ from those established under the Hydrocarbons Law, so it is expected that the Regulation and corresponding provisions will provide more detail on this matter.

A new regulated activity, called "Formulation," is included, which will allow the mixing of Oil Products with additives and biofuels to obtain oil products that comply with the corresponding Mexican Official Standards.

The transfer of permits can only be carried out with prior authorization from SENER or CNE, as applicable, provided that the permits are valid and in compliance with all obligations, and that the transferee meets the applicable requirements and commits to fulfilling their obligations.

Some of the causes for termination, expiration, and revocation of permits will be updated. Additionally, it is included that, for the continuity of operations of permitted activities, the Mexican authority may contract PEMEX for the management and control of occupied, intervened, or suspended facilities, as the activities and services covered by any permit are considered of "public utility."

- **Integrated Systems**

SENER is responsible for preparing the five-year plan for the expansion and optimization of Pipeline Transportation and Storage infrastructure, considering proposals from integrated system managers. SENER is also responsible for determining the incorporation of new infrastructure in these systems, according to applicable policy and prioritizing the capacity of state-owned companies (PEMEX and CFE) and their subsidiaries for new projects, considering them of social and public interest. Integrated system managers will operate with prior permission granted by CNE.

- **National Center for Natural Gas Control**

The National Center for Natural Gas Control ("CENAGAS") is the independent operator of the National Integrated Natural Gas Transportation and Storage System. Its purpose is to ensure continuity and security in the provision of services of this system.

- **Open Access**

Permit holders providing third-party transportation and distribution services via pipelines, as well as storage, must offer non-discriminatory open access to their facilities and services.

This obligation will not apply to state-owned companies or their subsidiaries, i.e., PEMEX and all its storage and pipeline transportation infrastructure, which could have different practical implications for market participants.

- **Regulation and Obligations of Other Hydrocarbons Industry Activities**

The sale of aircraft fuels directly to the public is prohibited. However, the aircraft fuel Distribution permit granted by CNE will allow its sale.

Hydrocarbons, Oil Products, and Petrochemicals must be imported, transported, stored, commercialized, distributed, sold, dispensed, and supplied without alteration or adulteration, and any type of alteration is sanctioned.

Transfer or Relocation between Containers (Decanting) can only be carried out as part of the activities inherent to the permits for the Storage and Distribution of Hydrocarbons, Oil Products, and Petrochemicals, as well as the Formulation of Oil Products permit, and must be carried out in the facilities included in such permits.

CNE may issue general application provisions for the regulation of activities referred to in the LSH, including the terms and conditions to which the provision of services must be subject, as well as the determination of applicable compensations, prices, and tariffs, among others.

- **Cross-Participation**

SENER or CNE may establish provisions to be complied with by the permit holders of Transportation, Storage, Distribution, Public Sale, and Commercialization of Hydrocarbons, Oil Products, and Petrochemicals, as well as by the users of these products and services, to promote the efficient development of these markets.

In any case, cross-participation must be authorized by SENER, with a favorable opinion from the relevant Mexican authority on antitrust matters. This does not apply to the Economic Interest Group to which state-owned companies belong.

- **Jurisdiction, Public Utility, and Procedures**

The Hydrocarbons industry is of exclusive federal jurisdiction and public utility, allowing for the establishment of legal easements or the necessary surface occupation or affectation for the realization of its activities. Hydrocarbons Exploration and Extraction activities are considered of social interest and public order, taking precedence over any other activity involving the use of the surface or subsoil of the affected lands.

- **Surface Use and Occupation**

The compensation, terms, and conditions for the use, enjoyment, or affectation of the lands, goods, or rights necessary to carry out Hydrocarbons Exploration and Extraction activities, as well as pipeline transportation, must be negotiated and agreed upon between the owners or holders of these lands, goods, or rights, including real, ejidal, or communal rights, and the Assignees, Contractors, or Pipeline Transportation Permit Holders. In the case of private property, acquisition may also be agreed upon.

- **Social Impact**

Individuals interested in obtaining a permit or authorization to develop Hydrocarbons projects, as well as Entitlement holders and Contractors, must submit to SENER, for approval, a Social Impact Statement for the Energy Sector.

Relevant Transitory Provisions

1. All provisions contrary to the LSH will be repealed. Until new regulations are issued, or the corresponding regulations are amended, the normativity and regulations issued before the LSH by SENER become effective, the Energy Regulatory Commission ("CRE"), and the National Hydrocarbons Commission ("CNH") will still apply, as long as they do not oppose the LSH.
2. SENER and CNE, within 180 calendar days after the LSH becomes effective, must nullify the applicable first-hand sales regulation and the asymmetric regulation applicable to PEMEX.
3. First-hand sales agreements executed by PEMEX and its subsidiaries must migrate to commercialization agreements within a period not exceeding 180 calendar days from the date the LSH becomes effective.
4. The LSH Regulation must be issued within 180 calendar days following the date it becomes effective. The regulations of the Hydrocarbons Law will still apply as long as they do not oppose the LSH.
5. Authorization, approval, or permit applications received before the LSH becomes effective will be processed according to the legal provisions applicable at the time of their submission. Likewise, Assignments and Exploration and Extraction Agreements granted or executed before the LSH becomes effective will still be valid under the terms and conditions with which they were granted and according to the applicable provisions effective at the time of their granting.
6. Authorizations and permits granted by SENER, CNH, or CRE to carry out Hydrocarbons industry activities before the LSH becomes effective, will still be valid under the terms granted.
7. Comprehensive exploration and production contracts, executed by PEMEX, and that are in force at the time the LSH becomes effective, will not experience any amendments in their terms and conditions, and may request their migration.

III. Law of the National Energy Commission

Purpose

The main purpose of the Law of the National Energy Commission ("CNE Law") is to regulate its organization and operation, as well as to establish its competences, powers and attributions.

Legal Nature

The CNE will function as a sectorized body under SENER and will have technical, operational, management and decision-making independence, and its purpose will be to regulate, supervise and impose sanctions on activities in the energy sector (activities related to electricity and hydrocarbons) in order to promote their efficient development.

Attributions

• **Main Attributions**

- a) To issue acts and resolutions, regulations and general administrative provisions on activities in the energy sector, as well as to monitor and supervise their compliance.
- b) To impose and execute sanctions regarding acts or omissions that may apply in accordance with the applicable provisions.
- c) To grant, modify, update, revoke and terminate permits, authorizations and other administrative acts regarding energy activities.

- d) To order and conduct verification, inspection or supervision visits and require the submission of information and documentation.
- e) To impose provisional or preventive measures, including the closure and suspension of the facilities and activities it regulates and supervises.
- f) To maintain a system of registration of permits, authorizations or any other act it issues regarding energy-related activities.

- **Tariffs, Fees and Prices**

In particular, the CNE will be empowered to regulate the tariffs, fees and prices of the activities of the electricity and hydrocarbons sector, to grant, modify, terminate and supervise the permits for the generation and commercialization of electricity, to monitor and supervise the MEM, and to grant, modify, terminate and supervise the following permits: (i) processing, liquefaction, regasification, compression, decompression, transportation, storage, distribution, commercialization and public sale of natural gas, (ii) for the formulation, transportation, storage, distribution, commercialization and public sale of petroleum products, and (iii) for the transportation, storage and commercialization of petrochemicals.

Organizational Structure

The CNE will be directed and managed by a General Directorate and must have a Technical Committee to ensure its decisions are jointly agreed upon. Additionally, the CNE must have administrative units, which will be determined in its internal regulations.

- **General Director**

The head of the General Directorate will be freely appointed and removed by the head of the Federal Executive and ratified by the Senate and will have, among others, the following powers:

- a) Agree with the head of SENER on the handling of matters within its competence.
- b) Appoint and remove public servants of the administrative units.
- c) Integrate and submit to SENER a work program and annual performance report on the CNE's management.
- d) Coordinate the preparation of annual programs and preliminary draft budgets.
- e) Publish in the DOF, with the prior approval of the SENER, the regulations, general administrative provisions and other resolutions and acts that it deems should be published.

- **Technical Committee**

The Technical Committee will be a collegiate body whose purpose will be to give its opinion, analyze, evaluate, rule and approve the legal or administrative acts issued by the CNE within the scope of its competencies and which will be integrated as follows:

- a) The Head of SENER, who shall also preside and have the casting vote.
- b) Undersecretary of Electricity of SENER.
- c) Undersecretary of Hydrocarbons of SENER.
- d) Electricity Unit of the CNE
- e) Hydrocarbons Unit of the CNE.
- f) 3 technical experts from the energy sector.

Relevant Transitional Provisions

1. All regulations issued by the CRE and the CNH will remain in effect to the extent they do not conflict with the CNE Law.
2. With respect to any act, request, procedure or matter that is in process of attention or subject to the computation of a term in the CRE and CNH and that are under the jurisdiction of the SENER or the CNE, the suspension of deadlines and terms will be declared for a period of 90 calendar days, counted as of the entry into force of the CNE Law.
3. Permits, authorizations and other acts issued by any of the CRE and CNH will continue to be effective until the end of their term; however, the CNE may monitor their compliance and, if applicable, they may be terminated in advance or revoked by the authority in charge of regulating the corresponding activity.

IV. Law of the State-owned Company, Federal Electricity Commission

Legal Nature and Structure

The Law of the State-owned Company, Federal Electricity Commission (“CFE Law”) establishes that the CFE will be a state-owned entity within the Federal Public Administration, sectorized to SENER; it will have technical, operational, and managerial independence, as well as its own legal personality and assets. The subsidiary companies will be dissolved, with the CFE assuming their rights and obligations.

General Management and Board of Directors

The management of the CFE will be entrusted to a General Director appointed by the Federal Executive. Its functions include the administration and legal representation of the CFE, as well as the execution of agreements made by the Board.

The Board of Directors will be responsible for defining policies, strategic direction, and approving development and sustainability programs. It will consist of eight members, including heads of various secretariats and two independent directors.

Special Regime

A special regime will apply regarding i) subsidiary companies, ii) remuneration, iii) acquisitions, iv) assets, v) administrative responsibilities, vi) budget, vii) debt, and viii) sustainability, of which the following is noteworthy:

- The CFE will have subsidiary companies that will carry out activities distinct from the transmission and distribution of electricity, which will not be considered state-owned entities and will be governed by private law.
- Acquisitions, leases, contracting services, and works will generally be conducted through open tenders, except in specific cases. The Public Procurement, Leasing, and Services Law and the Public Works and Related Services Law will not apply. It is established that acts developed in the contracting procedure will be of an administrative nature until the contract is signed, at which point they will become commercial acts.
- Acts related to the disposal, use, and enjoyment of assets will be governed by common law and the provisions of the CFE Law itself, although its real estate will be governed by the General Law on National Assets. The movable and immovable assets and bank accounts of the CFE are unattachable and imprescriptible.
- Public servants of the CFE are liable for damages caused to the state-owned entity, with the General Law on Administrative Responsibilities being applicable.

- It will have budgetary autonomy and will be subject only to the financial balance and the approved personal services expenditure maximum by the Chamber of Deputies. In all matters not provided for, the regulations issued by the Board of Directors will apply.
- It may contract financing (in coordination with the Ministry of Finance and Public Credit ("SHCP")), ensuring that obligations do not exceed its payment capacity. The Board of Directors will approve the characteristics and policies for contracting public debt, both direct and contingent.
- The CFE and its subsidiaries will seek to reduce the environmental impact of their activities, promote the transition to a low-carbon economy, and comply with international agreements on environmental matters.

Oversight and Audit

The oversight and audit of the CFE and its subsidiaries will be carried out by an Audit Committee, Internal Audit, and External Audit.

- The Audit Committee will monitor the management of the CFE and its subsidiaries, verify compliance with goals and objectives, and supervise accounting and financial processes, among others.
- Internal Audit will evaluate the operational functioning of the CFE and its subsidiaries, verify compliance with policies and the legal framework, and promote the internal control system. The External Audit must be appointed by the Board of Directors, upon the proposal of the Audit Committee.
- The Superior Audit Office of the Federation will have jurisdiction to audit the CFE.

Transparency and Accountability

It will be subject to transparency and access-to-information laws. Thus, it must publish information regarding its financial, administrative, operational, economic, and legal status.

Dispute Resolution

Disputes will be addressed by Federal Courts; however, the CFE may opt for alternative dispute resolution methods and agree to the application of foreign law for matters outside of Mexico.

V. Law of the State-owned Company, Petroleos Mexicanos

Purpose

The purpose of the Law of the State-owned Company, Petroleos Mexicanos ("PEMEX Law"), is to regulate the administration, functioning, operation, control, evaluation and accountability of PEMEX, as a State Public Entity, as well as to establish its special regime.

Among other matters, it is established that the purpose of PEMEX will be the development of exploration, extraction, import, export and transformation of hydrocarbons, as well as the storage, commercialization, formulation, transportation, distribution and sale of hydrocarbons and their derivatives, as well as the development of activities related to energy sources other than those derived from hydrocarbons, in order to preserve the sovereignty, security, sustainability, self-sufficiency and energy justice of the Mexican Nation.

Legal Nature

One of the main changes introduced by this reform is the modification of the legal regime of PEMEX, from being a "State Productive Company" to become a "State-owned Company". As such, it will be part of the Federal Public Administration, specifically, of SENER; however, it will have

technical, operational and management independence, legal personality, special regime and its own patrimony.

Structure

In terms of governance, the new law proposes a restructuring of PEMEX's management and supervisory bodies. It is foreseen that PEMEX will be managed by a Board of Directors and General Directorate.

In order to fulfill its purpose, the Board of Directors will have the following Committees: Audit; Human Resources; Remuneration and Austerity; Strategy and Investments; Acquisitions, Leasing, Services and Works; Subsidiary Companies; and Sustainability.

Special Regime

Finally, a special regime is established for subsidiaries: compensation and austerity; acquisitions; leasing; services and works; assets; administrative responsibilities; budget and accounting; debt; and sustainability, which are summarized below.

- **Subsidiaries**

It is established that PEMEX must directly perform hydrocarbon exploration and extraction activities. However, it may perform other activities and services directly, through subsidiaries, companies in which it has a minority interest, directly or indirectly, or through any type of association or alliance that is not contrary to the PEMEX Law.

- **Remuneration and austerity**

PEMEX will have a special compensation regime. In addition, it must implement austerity guidelines on the expenditure and use of resources, without detriment to the efficiency of its operation, in accordance with the provisions approved by the Board of Directors, which will allow it to generate savings and improve its financial balance.

- **Acquisitions, leases, services and works**

It is established that the acquisitions, leases, services and works required will be carried out in terms of Article 134 of the Constitution, subject to the principles of economy, effectiveness, efficiency, impartiality and honesty, in order to ensure the State the best conditions available in terms of price, quality, financing, opportunity and other relevant circumstances in accordance with the nature of the contract.

Significantly, the provisions established in the PEMEX Law and others derived from it will be applicable, and therefore the Public Sector Procurement, Leasing and Services Law and the Public Works and Related Services Law will not be applicable.

- **Assets**

It is established that all acts related to the disposition, use and enjoyment of PEMEX's assets will be governed by common legislation. Likewise, it is established that the real estate assets of PEMEX will be subject to the public domain regime of the Federation in accordance with the provisions of the General Law of National Assets and the PEMEX Law itself.

- **Administrative Responsibilities**

The General Law of Administrative Responsibilities will be applied to the personnel of PEMEX, through its Responsibilities Unit.

- **Budget and accounting**

PEMEX will have budgetary autonomy and will be subject only to the financial balance and the ceiling for personal services expenses that, upon proposal of the SHCP, the Chamber of Deputies approves, as well as to the special regime in budgetary matters.

- **Debt**

Among other issues, it is expected that:

- a) The contracted services do not exceed its payment capacity.
- b) The resources obtained are correctly allocated in accordance with the applicable legal provisions.
- c) Payments are made in a timely manner
- d) The development of its particular financial program is supervised.

- **Sustainability**

It reinforces PEMEX's commitment to the protection of the environment, the health of the communities near its operations, and social welfare. Among other issues, it must have mechanisms for the evaluation and mitigation of environmental impacts derived from its activities.

VI. Energy Planning and Transition Law

Purpose

The enactment of the Energy Planning and Transition Law ("LPTE") aims to ensure that national energy planning is conceived from the outset with the goal of transitioning towards a cleaner and decarbonized energy sector, without ever compromising energy security and justice, nor the competitiveness of productive sectors. To achieve this, it promotes the development and use of clean energy.

Scope

The primary objectives and scope of the LPTE are:

- Optimize and centralize medium- and long-term sectoral planning in the electricity and hydrocarbons sectors;
- Strengthen CFE and PEMEX within the framework of the energy transition;
- Sustainably harness energy, promoting the use of clean energy, energy efficiency, circular economy, energy source diversification, and emission reduction;
- Promote energy justice and sustainability as fundamental principles.

The LPTE extends the scope of the Energy Transition Law by including binding planning for the entire sector, thereby strengthening the energy transition from its conception and planning.

A distinction is made between renewable energies and clean energies, requiring the latter to demonstrate measurable and verifiable efficiency through sustainability certification processes.

Furthermore, sector planning will include the concept of "externalities," understood as the total cost of the damages and benefits generated by a good or service in economic, social, environmental, and health terms, differentiating it from the price directly paid for its production and consumption. This will allow greater traceability within the sector and strengthen the exercise of collective rights in social, environmental, and indigenous areas.

All of the above is framed within international commitments related to climate change, with a special focus on reducing greenhouse gas emissions.



Authorities

SENER will be responsible for binding sectoral planning, considering the participation of the government, regulatory bodies, companies, and the public, with the aim to:

- Ensure the prevalence of CFE;
- Achieve energy self-sufficiency and sovereignty;
- Expand and modernize the energy sector through both public and private infrastructure projects;
- Ensure affordable prices for final consumers;
- Ensure energy justice by covering basic energy needs;
- Promote the decarbonization of the sector by reducing dependence on fossil sources;
- Foster innovation and technological development to integrate new alternative energy sources and improve energy efficiency;
- Promote the valuation and reuse of waste for energy generation;
- Ensure competitiveness.

National planning will be centralized through the Energy Planning Council, which, through three plans⁴ and three programs⁵, will define policies, approaches, and priority actions within the sector.

The rules, permits, authorizations, and infrastructure projects must align with these instruments, which will be guiding and binding for energy policy.

As part of this framework, SENER will publish the National Energy Balance annually, a publicly accessible document containing detailed information about sector participants.

Strategic Pillars for the Energy Transition

- **Energy Efficiency:**

Energy efficiency is established as a strategic pillar within the energy transition. To achieve this:

a) CONUEE (National Commission for the Efficient Use of Energy) will issue catalogs of equipment and electrical appliances that comply with energy efficiency standards.

b) CFE and suppliers must include labels on their services and products encouraging efficient energy use.

Excellence certificates in energy efficiency will be issued, which will allow the market valuation of products.

- **Funds and Financing:**

SENER will be responsible for administering and allocating resources to the following funds:

a) Fund for the Energy Transition and Sustainable Energy Use.

b) Universal Energy Service Fund.

These funds aim to eliminate energy inequality and poverty, ensuring equitable access to sustainable energy sources.

SENER will also allocate resources to scientific research projects, technological development, and innovation, focusing on hydrocarbon efficiency, renewable energy, and clean technologies.

⁴ Electricity Sector Development Plan; Hydrocarbons Sector Development Plan; and Energy Transition Plan.

⁵ Clean Energy Program; Energy Efficiency Program; and Energy Infrastructure Development Program

- **Clean Energies:**

The law seeks to foster the growth of clean energies through the implementation of a carbon market, via new regulations for CEL. This system will establish measurable and transparent criteria to recognize and encourage the generation of clean energy.

a) The methodology issued by the CNE must consider the use of backup and essential additional services for the operation of clean energies within the National Electric System. These services, provided by fossil sources, must take into account the annual operational data of the system.

b) A Public Register of CEL will be created, which must include the registration of each certificate, along with the corresponding information regarding its issue date and ownership history.

c) The operation of the register must allow individuals to perform legal acts related to the buying, selling, pledging, or other operations involving the transfer of ownership, whether real, virtual, or legal.

d) The CNE must issue or update the provisions related to the operation of the certificate register.

e) CELs will have a validity of 30 months and must be reported or acquired during the first quarter of each year.

SENER will set a minimum participation target for clean energies in electricity generation, aligned with the long-term goals established in the General Climate Change Law.

Additionally, the initiative contemplates sanctions for non-compliance with energy efficiency obligations, which will be enforced by the Federal Consumer Protection Agency (“PROFECO”).

Relevant Transitional Provisions

Action/Deadline	Description
Effective Date of the Law:	The law will come into effect the day after its publication in the DOF.
Repeal of the Law:	The Energy Transition Law of 2015 will be repealed.
Regulations:	The Federal Executive must issue the law’s regulations within 180 days.
Other Relevant Provisions:	Within 360 days, the following plans and strategies must be issued: <ul style="list-style-type: none"> • National Energy Transition Strategy • Energy Transition and Sustainable Energy Use Plan • Electricity Sector Development Plan • Hydrocarbons Sector Development Plan

Conclusions

1. Given that this is binding planning, all sector participants must align with the national plans and strategies, such as the Electricity Sector Development Plan, Hydrocarbons Sector Development Plan, and the Energy Transition Plan.
2. The dominance of CFE and PEMEX is part of the national strategy, which may restrict private sector participation in certain activities.
3. Through the concepts of energy justice and sustainability, sector actors must ensure compliance with their obligations and commitments while respecting human, environmental, and social rights.
4. New criteria and guidelines will be issued for obtaining CEL, which could drive the creation of a new carbon trading market as a mechanism for the energy transition.



VII. **Biofuels Law**

Purpose

Unlike the Law for the Promotion and Development of Bioenergy, which included general provisions for the promotion and development of bioenergy, the Biofuels Law establishes a detailed and specific regulatory framework for: (i) production; (ii) import and/or export; (iii) storage; (iv) transportation; (v) commercialization; and (vi) sale of biofuels.

The aim is to drive the energy transition by diversifying the clean energy matrix. This will be achieved through the development of new energy generation technologies and the valorization of organic waste within a circular economy policy framework.

Scope

The primary objective of the Biofuels Law is to regulate and promote the sustainable development of biofuels in Mexico by:

- Utilizing and valorizing organic waste (promoting a circular economy model);
- Sustainable production of biomass on marginal lands, provided it does not come from plant materials intended for human consumption (except for surplus sugarcane and sorghum);
- Reducing atmospheric emissions and environmental impacts; and
- Coordination between different levels of government and the social and private sectors.

Biofuels

As part of energy planning actions, a key pillar for reducing fossil fuel dependency is the diversification of the energy matrix. Therefore, the Biofuels Law aims to incentivize the production and use of biofuels, such as:

Category	Description	Example
Biomass	Renewable organic material whose energy content can be utilized as biofuel.	Agricultural, forestry, and other organic waste.
Liquid Biofuels	Bioethanol produced from crops such as sugarcane and sorghum, not primarily intended for human consumption.	Biodiesel, produced from vegetable oils and animal fats.
Gaseous Biofuels	Biogas generated from the anaerobic decomposition of organic waste.	Biomethane, refined from biogas to be used as a substitute for natural gas.
Solid Biofuels	Biomass transformed into solid forms for use as biofuel.	Biomass pellets, wood waste briquettes, and other organic materials.
Advanced Fuels	Biofuels designed to reduce emissions in aviation.	Green diesel, produced from biomass and organic waste, with similar characteristics to fossil diesel.
Other Biofuels	Non-conventional biofuels, produced from biomass through biological or thermochemical processes.	Biohydrogen, produced from biomass via biological or thermochemical processes.

Authorities

The new regulatory framework establishes and delineates the responsibilities of various authorities based on their scope of action:



SENER	Ministry of Environment and Natural Resources ("SEMARNAT")	Ministry of Agriculture and Rural Development ("SADER")
Responsible for formulating and coordinating national policy on biofuels, in addition to granting permits and setting production goals.	Responsible for the policy on the use of organic waste and the treatment of wastewater for biofuel production.	Promotes the production of biomass on marginal soils and the use of agricultural waste.
Will issue permits for:	Will issue permits for:	Will issue permits for:
Production of Biofuels.	Utilization and Valorization of Organic Waste.	Biomass Production for Biofuels (specifically from sugarcane and sorghum) ⁶ .
Import and Export of Biofuels.	Environmental Impact Assessment.	Planting Notices.
Storage of Biofuels.	Permits for the construction and operation of facilities.	National Agricultural Registry.
Transport of Biofuels (including pipelines).	Industrial and Operational Safety.	
Commercialization of Biofuels.	Environmental Reports.	
Distribution of Biofuels ⁷ . Sale of biofuels to the public.	Land Use Change in Forested Areas.	

Other Elements

The new Law also seeks to implement tax, financial, and market incentive programs to foster the production and use of biofuels.

These measures are aimed at making projects in this sector attractive to green and sustainable financing.

Finally, disputes arising from biomass transactions will be resolved through the National Arbitration Service, in accordance with Article 184 of the Sustainable Rural Development Law.

Additionally, disputes between those involved in biofuels production, import, export, storage, marketing, distribution, and sale to the public, and consumers, must be resolved in accordance with the applicable provisions of the Federal Consumer Protection Law.

This could lead to jurisdictional conflicts in the application of the Biofuels Law, potentially affecting the development of the biofuels sector.

Relevant Transitional Provisions

Action/Deadline	Description
Entry into force of the law	The law will enter into force the day after its publication in the Official Gazette of the Federation.

⁶ These permits will only be granted when there are surplus inventories of sufficient domestic production to meet national consumption.

⁷ In the case of aircraft, it may only be carried out by air carriers, air operators, and non-aeronautical third parties.



Action/Deadline	Description
Repeal of the previous law	The Law for the Promotion and Development of Bioenergy of 2008 will be repealed.
Permits and logbook formats	<ul style="list-style-type: none"> • SENER will issue the permit format within 180 days. • SENER will issue the logbook format within 180 days.
Other provisions relevant	Within 360 days, the issuance of the following programs: <ul style="list-style-type: none"> • Program to promote the direct use of biomass as biofuels, biofuels production, and sustainable use. • Program to promote the utilization and valorization of organic waste and wastewater treatment for direct biofuel use. • Program to promote sustainable biomass production from marginal lands or the use of agro-industrial waste.

Conclusions

1. The Biofuels Law initiative has the potential to transform Mexico's energy sector by promoting sustainability, technological innovation, economic development, and the reduction of polluting emissions, strengthening the use of biofuels.
2. This regulatory framework is distinguished by its clarity and specificity, including fiscal and financial incentives.
3. It also fosters intergovernmental coordination and private sector participation.
4. Together, these elements can significantly contribute to the diversification of the energy matrix, the mitigation of climate change, and the country's economic development.

VIII. Geothermal Energy Law

Purpose

The purpose of the Geothermal Energy Law initiative is to regulate the exploration and exploitation of geothermal resources for the sustainable use of underground thermal energy, with the aim of generating electricity or directing it to other uses.

This law replaces the 2014 Geothermal Energy Law, introducing key changes, including: (i) promoting and streamlining the regulatory framework to facilitate activities; and (ii) emphasizing the sustainable use of underground thermal energy, with a broader focus on sustainability and environmental protection.

The Geothermal Energy Law reiterates that the activities contemplated therein have preferential status over any other use or exploitation of the subsoil, except for the hydrocarbons industry, which maintains priority.

The initiative encourages the use of geothermal energy as a renewable energy source, which will diversify the country's energy matrix and reduce dependence on fossil fuels, thus contributing to the energy transition.

Obligations for Licensees and Concessionaires

New obligations for licensees and concessionaires in terms of sustainability are established, which include:

- Re-injection of geothermal water, ensuring the quality of the aquifer;
- Obtaining permits from other competent federal, state, and municipal authorities;
- Obligation to inform SENER about the discovery of by-products such as hydrocarbons or minerals. These may be exploited and utilized by the concessionaire, unless they are lithium or other materials regulated by the Mining Law, in which case the corresponding concession must be obtained;

- Protection of the human rights of indigenous or Afro-descendant peoples and communities that may be affected. This must be carried out through prior, free, and informed consultation processes.

Furthermore, the Geothermal Energy Law initiative sets forth a clearer and more detailed regulatory framework than the previous one, ensuring that the exploration and exploitation of geothermal resources are carried out with an environmental protection approach.

Permits and Activities

The permits and activities outlined in the Geothermal Energy Law, for which SENER has authority, are as follows:

Type of Permit	Description	Duration
Exploration Permit	Allows the conduct of exploration activities to determine the presence of geothermal resources and define the geothermal area.	Four years, renewable for three more years.
Permit for Diverse Uses	Allows the exploitation of geothermal resources for uses other than electricity generation, such as urban heating, drying agricultural products, balneology, etc.	Temporary, depending on the purpose of the permit.
Exploitation Concession	Grants rights for the exploitation of geothermal resources in a defined geothermal area.	Thirty years, renewable.
Exempt Geothermal Use Notice	Allows the utilization of geothermal resources for small-scale uses without the need for a permit, but with registration of the activity at the Ministry.	Not applicable (no specific duration).
Reallocation	Allows the reallocation of geothermal areas granted to new holders in case of decreased technical, financial, or legal capabilities of the original concessionaire.	Not applicable (depending on conditions).

Authorities

In addition, SENER will coordinate its actions with other authorities to ensure environmental protection, including:

- **National Water Commission (CONAGUA):** Responsible for ensuring that exploration and exploitation activities do not interfere with adjacent aquifers and for granting the necessary water concessions for the exploitation of geothermal deposits.
- **SEMARNAT:** Responsible for preventing environmental damage or deterioration resulting from geothermal activities.

These permits and concessions are designed to ensure that geothermal exploration and exploitation activities are carried out in an orderly, safe, and sustainable manner, promoting the development of geothermal energy in Mexico.

Relevant Transitional Provisions

Action	Description
Entry into force of the law	The law will enter into force the day after its publication in the Official Federal Gazette.
Repeal of the previous law	The 2014 Geothermal Energy Law will be repealed.
Regulation:	Issuance of the Regulations within the following 180 days.
Other relevant provisions	CFE must request an extension for areas where geothermal activities are conducted within the following 360 days.



Conclusions

1. The Geothermal Law initiative establishes a comprehensive and detailed regulatory framework for the exploration and exploitation of geothermal resources in Mexico, promoting the sustainable and efficient use of this renewable energy source and providing more alternatives for the energy transition.
2. Moreover, it emphasizes the importance of sustainability and environmental protection, incorporating specific measures to prevent negative impacts and ensure the re-injection of geothermal water into the reservoir.
3. Mexico ranks seventh globally in installed geothermal infrastructure and has significant growth potential, thanks to its location on one of the world's major volcanic slopes.

Our team of specialists in each area is at your disposal to provide you with legal services tailored to your needs and to answer any questions you may have regarding this newsletter.

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