



Energy Industry Group Newsletter
December 11, 2018

Modification to Public Policy on Minimum Storage of Oil Products.

On November 29, 2018, the Ministry of Energy published in the Official Gazette of the Federation ("DOF") the *AGREEMENT that modifies the one that issues the Public Policy on Minimum Storage of Oil Products* (the "Agreement"), which entered into force one day after its publication.

Based on requests submitted by several players in the petroleum industry to the Undersecretary of the Economy, it was considered necessary to modify to a certain extent the Public Policy of Minimum Storage of Oil Products (the "Policy"), published in the DOF on December 12, 2017.

Among the most relevant amendments established in the Agreement are the following: (i) the rigidity of the determination of the regions is eliminated for the purpose of locating the strategic inventories and those regions are only maintained for the purposes of the obligation to report oil statistics; (ii) in the case of gasolines, for purposes of compliance with the minimum storage obligation, the base gasoline and the components will count in the percentage corresponding to the applicable regulations; (iii) regarding the current policies on storage in selected countries, the obligation for Mexico is modified; (iv) in order to maintain the energy security conditions set forth in the Policy, it is established that at least 50% of the minimum inventories must be located in the terminal(s) that usually supply service stations; and (v) to meet the minimum inventory obligation, a national goal was determined.

The national goal, which will gradually increase, is foreseen to start in January of 2020 with the obligation of permit holders to maintain a mandatory minimum inventory of 5 days of sales, and to end in 2025 with a minimum inventory of 11 days of sales, as well as 9 and 13 days of sales as a quarterly average in 2022 and 2025, respectively. Except in the case of the subjects obliged to maintain minimum inventories that demonstrate the execution of their storage contracts before June 30, 2019, and whose storage terminals enter into operation no later than December 31, 2021, for whom the minimum storage obligation will have different goals and terms.

Likewise, in the short-medium term (from 3 to 5 years), a significant increase in the number of participants in the Mexican oil market is expected, which will trigger a significant growth in the installed storage capacity. Therefore, the Policy must be subject to review once the volume of inventories of gasoline, diesel and jet fuel in the country exceeds the mandatory minimum inventories applicable for the year 2025.

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On the other hand, as of April 1, 2018, the permit holders along the value chain of such industry will have the obligation to report production, imports, exports, inventories and sales.

Our Energy Industry Group has broad expertise in advising clients of the sector in various transactions related to the development and regulatory compliance of this type of projects. It would be a pleasure to provide our expert advice on any related issue.

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Our Energy, Natural Resources, and Environmental practice leads a larger Energy Industry Group comprised of a talented team of lawyers from several practice areas at the firm who specialize in the energy sector. As a multidisciplinary group, we are in a unique position to provide comprehensive and diverse legal advice on matters relevant to energy businesses, including in particular the Mexican energy reform, its implications, and the multiple business opportunities it brings.

Our Energy Industry Group provides full-service advice, including corporate, transactional, and M&A; public bidding; contractual; tax; regulatory; international trade; labor; dispute resolution; and corporate governance and regulatory compliance matters.

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