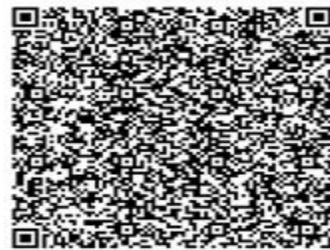




Energy Reform: New Paradigm for Mexico's growth

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1. Oil investment climate in the Americas vary, recent Mexican reforms should allow for more private investment



2. In the Americas' oil sector, there has been positive correlation between open investment structures and total liquids production



3. In the Americas' oil sector, recent gains in production are concentrated in countries with open investment structures



There are some key elements that had been observed in successful reforms

The reforms have been successful and the National Oil Company has become operationally efficient in cases where the reform introduced:

- Fair and balanced competitive market
- Ensured active and prominent role for the NOC
- Efficient, well funded and competent regulator
- Increased the financial autonomy of the NOC
- Established attractive contractual and fiscal terms
- Established stable regulatory environment
- Clear separation of regulatory and commercial role



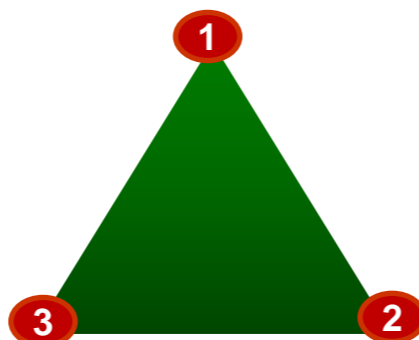
Mexico's Energy reform introduced a paradigm shift with three main features

1 Introduction of competition

- Allow private participation across the hydrocarbon value chain
- Contracts for E&P. Permits for midstream and downstream
- Bidding rounds for E & P blocks

3 Transformation of the NOC

- Pemex to become a State-Owned Productive Company*
- Changes in remuneration, contracting and budgeting schemes
- Ability to partner with other companies
- Need to compete for acreage



2 Strengthening Mexican state authority powers

- Introduction of new mandates for SENER, CNH, CRE and SHCP
Strengthening CNH and CRE as regulators*
- Creation of a new entity to regulate the HSE issues of the industry (ANSIPA)
- Creation of the National Information Center of Hydrocarbons; the Mexican Petroleum Fund for Stabilization and Development; and the National Center for of Natural Gas Control

*Authorities:

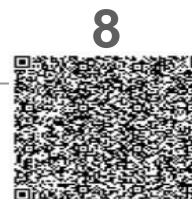
SENER: Ministry of Energy

CNH: National Commission of Hydrocarbons

SHCP: Ministry of Finance and Public Credit

CRE: Energy Regulatory Commission

ANSIPA: National Agency for Industrial Safety and Environmental Protection



However, the role of Pemex has dramatically changed derived from the reform

What is the new role of Pemex?

Before the reform

- Decentralized public entity
- Resource administrator in practice
- Responsible of energy security

- The only operator
- CNH was the technical and HSE regulator

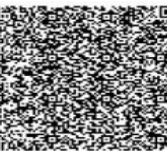
After the reform

- State-Owned Productive Company
- SENER and CNH will define new areas and will bid E&P contracts
- More commercially oriented enterprise, whose purpose is to increase the national outcomes. SENER is now responsible of the energy security
- Pemex has to compete/ partner for acreage in an open environment
- More authorities to regulate the industry as ANSIPA. Existing authorities have received new mandates (SENER, CNH and Ministry of Finance)

SENER: Ministry of Energy

CNH: National Commission of Hydrocarbons

ANSIPA: National Agency for Industrial Safety and Environmental Protection



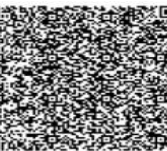
Pemex will transform itself to be able to compete and maintain a leading position in a competitive landscape

Pemex aspirations after the reform

- Be the best investment of Mexican population for the monetization of hydrocarbon resources and foster national development
- Be a strategic player in the industry
- Rapidly transition to be able to capture opportunities in a increasingly technical complex environment
- Seek strategic partnerships with other leading companies to strengthen our competitive position

Key success factor

Secondary legislation must ensure higher levels of flexibility and autonomy for Pemex to be able to compete effectively



To address the multiple challenges associated to the reform, Pemex is preparing itself to capitalize on the opportunities

Challenges

1

Compete

2

Decision making

3

Stricter regulations*

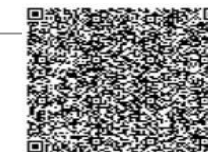
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Retain talent

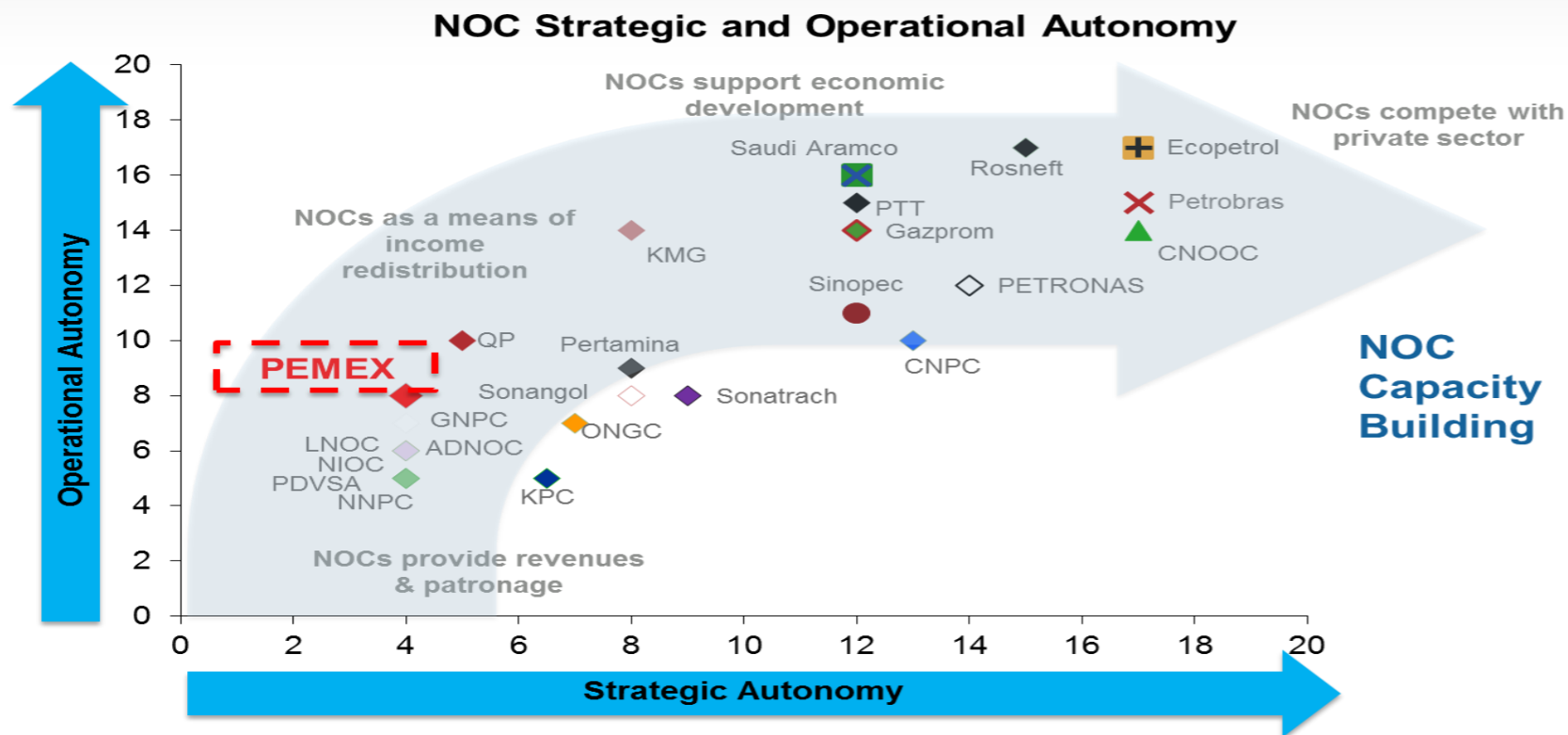
Lines of action

- Strengthen business development function
- Project and investment approval based on industry standard
- Management and financial autonomy
- *Ad hoc* procurement and purchasing scheme
- Adopt international standards
- Strengthen compliance system and practices
- Increase its value proposition as "top employer" in a competition framework
- To develop competitive compensation skills

*Stricter regulation is not a particular phenomenon in Mexico but is a trend that could be observed in a global level given the new standards in industrial safety and environmental protection



How Pemex should transition be?



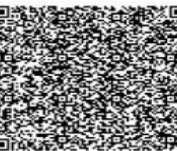
Source: IHS PFC

+ Business oriented

- Autonomy to improve the decision making process
- Control *ex-post* (after) over performance
- Ad hoc rules for productive entity. Essential to compete
- Value creation mandates

- Policy instrument

- Excessive government intervention
- Control *ex-ante* (before) over procedures
- Government entity rules for key issues
- States mandates (energy security)



Why Mexico?

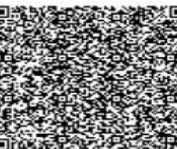
- Mexico is the 9th world oil producer with a large and diversified endowment of resources
- Mexico is a country integrated to the global dynamics, with a high diversity of international trade agreements and member of the NAFTA. Free flow of people and goods.
- Existing local supplier base and proximity to one of the more sophisticated supply industry hubs in the world.
- Macroeconomic and political stability for investments

Why Pemex?

- Pemex is a well established operator with long history, good track record and experience
- Unparalleled understanding of country's geology
- Knowledge of domestic E&P regulation
- Well developed production and logistical infrastructure
- Robust procurement and supply chain
- Large amortized asset base
- Expertise in stakeholder and community management

13

13





ANY QUESTIONS ??

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