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I cover Mexico's billionaires, politics and U.S.-Mexico relations

[LISTS](#) | 2/01/2013 @ 12:22PM | 3,871 views

Mexican TV Billionaire Salinas Pliego Wants Pemex To Be Privatized

Mexico's energy reform was one of the most talked about issues in last month's World Economic Forum in Davos. The Mexican delegation, made up of billionaires, top government officials and businessmen, kept the attendees' interest high. Billionaire [Ricardo Salinas Pliego](#), who controls the country's No. 2 television broadcaster, TV Azteca SAB (AZTECA.MX), said he wants [Petroleos Mexicanos \(Pemex\)](#), the state-run oil and gas monopoly with total assets of \$415.75 billion, to be privatized.

Speaking at Davos, Salinas Pliego said it was imperative for the Mexican government to open the oil company to the private sector. "I favor the opening of Pemex. I know it's a very controversial issue because almost 30% of the federal government's income comes from Pemex," he said. Mexico's second richest billionaire called for the oil monopoly to be run with a corporate approach, an independent administrative council and greater transparency, and said he was confident that the new PRI government was committed to breaking up both public and private monopolies.

Reforming the national legal code to allow private capital in Mexico's oil company is one of Mexican President Enrique Pena Nieto's campaign promises. Mexico Finance Minister Luis Videgaray told the Davos gathering of government officials, economists and world pundits, that energy reform will take place in 2013. "It will not be easy but the need is there, the conditions are there and the opportunity is there," said Videgaray, head of the Mexican official delegation to the forum, which also included Director General of Pemex, Emilio Lozoya Austin.



Ricardo Salinas Pliego at Los Angeles. (Photo credit: Wikipedia)

Newswires reported that Videgaray explained that in order to undertake the necessary reforms, “changes in the Mexican legal framework” would be needed. He also expressed regret that for years the issue of energy reform in Mexico has been viewed from an “ideological” point of view. “President Peña, when he was running, said that we need to be more practical, more modern in our approach, not as ideological,” said Videgaray, who is widely perceived as the most influential and closest advisor to Mexico’s new President.

Mexican oil production has experienced a precipitous decline, from a level of 3.4 million barrels per day (bpd) in 2004 to a recent 2.55 million bpd. Private investment by foreign and Mexican firms in Pemex — a company created in 1938 after the government expropriated American and British oil assets— has been constrained by the historical sensitivity to any hint of interference from abroad, particularly from the U.S., in what has been seen as a central element in the nation’s sovereignty. Aware of these sensitivities, Pemex Director General Lozoya countered in a blog posted on Mexico’s presidency web site that Pemex, “will remain a public entity and oil resources will remain the property of the nation.” But Duncan Wood, president of the Woodrow Wilson Center’s Mexican Institute, nonetheless believes that in recent years, “Mexicans have shown a softening on this sensitivity, in part due to generational change, in part due to political change, and in part due to the success of negotiating a [U.S.-Mexico Transboundary Hydrocarbons Agreement](#) in 2012.”

In a [recent paper](#) published by the Washington-based think tank, Wood said that it is “widely expected” that the Peña Nieto government will present an energy reform initiative to the Mexican Congress early in 2013. “While it is still unknown how ambitious that reform proposal will be, it is thought that the government will present an initiative that will aim at opening the sector to greater levels of private participation in refining, petrochemicals and even in exploration and production.”

An energy overhaul, a precondition for increasing Mexican oil production, will require a Constitutional amendment, approved by both chambers of Congress and by more than half of the state legislatures. Analysts believe that this has become more likely thanks to the Pact of Mexico, a deal signed by all three major political parties in December that outlines 95 mutual commitments, including changes in Pemex and the telecommunication sector.

As I’m writing this blog, I learned about the fatal explosion at the headquarters of Pemex in Mexico City on Thursday that killed at least 32 people and injured over 120. The cause has not been determined. I think about the timing of the blast. As *The New York Times* pointed out, it comes in the middle of a “heated debate over the future of Pemex, a national icon and corporate behemoth that has been plague by declining production, theft and an abysmal safety record.” How will this new development influence the debate on energy reform?

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