MEXICO'S ENERGY REFORM

A GAME CHANGER IN THE NATION'S HISTORY

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Mexico's energy sector is experiencing its deepest and most radical change in the country's history. Mexico is ditching an 80-year model for the most liberal scheme they could embrace, dusting off a pattern that had already evidenced its urgent need for renewal and modernization.

Indeed, casting off the chains of protectionism, Mexico is offering promising opportunities to the industry at all stages, as the whole sector gets a second wind.

The energy reform is maybe the most far-reaching project of President Peña's administration and expected to bring a 1% growth of Mexico's GDP by 2018 and a 2% annual by 2025.

From the brand new institutional design to the participation of private operators, all sectors of oil & gas, electricity and clean energies are actively fostered.

OIL & GAS

1. ENERGY REFORM'S FUNDAMENTALS

The energy reform aims toward high attractiveness for investment:

- Increasing natural gas production from 5.7 billion cubic feet (bcf) per day to 8 bcf per day by 2018 and up to 10 bcf per day by 2025, as well as,
- Increasing oil production from 2.5 million barrels per day to 3 million barrels per day by 2018.

The structural changes of the oil & gas market strive to achieve a reserve replacement rate above 100%.

PACTO POR MÉXICO

Framed by the Pacto por México, the unifying political agreement promoted by President Enrique Peña Nieto, the reform and its scope were already established at an early stage of President Peña's administration. First and foremost the hydrocarbons shall remain the nation's property; the role of the regulators is enhanced; refining, petro-chemistry and transportation will be opened up to competition; electricity production costs are expected to be lowered through natural gas; good quality energy supply at reasonable prices will be established in the country; and, last but not least, Pemex (Mexico's NOC) shall be converted into a State Productive Company.

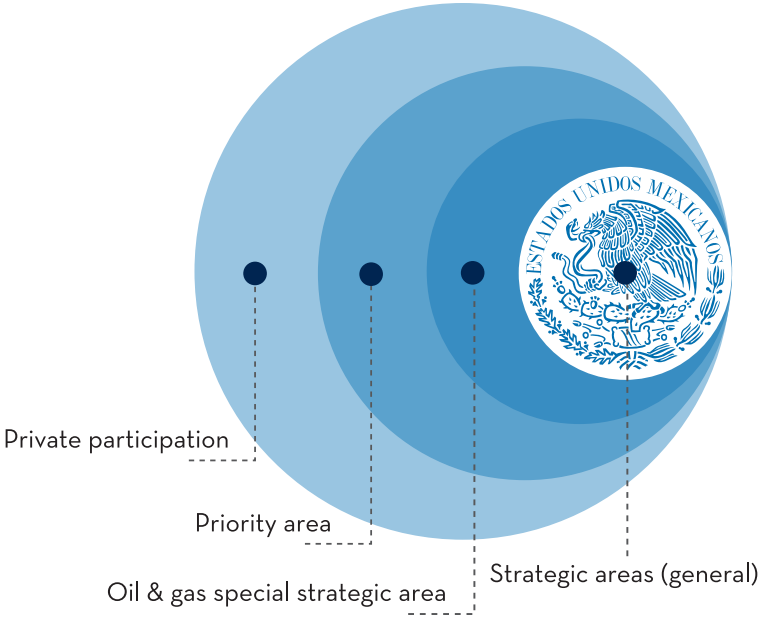
To summarize, the Reform, amending 12 laws and introducing 9 new laws, addresses three key aspects:

- Authorizing private investment for exploration and extraction of hydrocarbons under contracts (i.e., Production Sharing Agreement) with the Federal Government, as further exposed herein below.

- Authorizing oil processing and refining by private companies as well as gas processing, oil and oil derivatives transportation, storage and distribution.
- And, authorizing private investment for electricity generation, commercialization, transmission and distribution under contract with CFE (Electricity Federal Commission).

Despite the Reform's innovating character, the core constitutional reservation, stemming from the hydrocarbons ownership by the Nation and therefore prohibiting concessions, remains intact.

Indeed, the Mexican Constitution rules the exploitation of the Nation's resources through different - relatively open - areas to private investment, depending on the nature of the resource and the activity involved.



Hydrocarbons resources have always been carefully preserved and maintained in a narrow strategic area. Nonetheless, the Energy Reform cracked this historical shell to unfold a new oil & gas special strategic area, thus offering new business opportunities.

2. CONTRACTUAL MODEL

Four different contractual arrangements have been introduced :

- Service Contracts, with a cash compensation;
- Profit Sharing Contracts, with a compensation based on a percentage of profit;
- Production Sharing Contracts, with a compensation based on a percentage of production;
- License Contracts, with a compensation through licensing in return for payment for hydrocarbons extracted from subsoil. This feature, which could be linked with the traditional concept of "permit", remains unknown in Mexican law. Moreover, the concept of "permit" does not fully cover the meaning that the license aims to bear.

The constitutional amendment and the Hydrocarbons Law also include a fifth alternative allowing **"any combination of the aforementioned contracts"**. In this respect, it is likely that this provision may allow a wider flexibility

Indeed the participation in the oil and gas industry is not mandatorily bound to these four pre-formatted models. Pemex is still entitled to directly contract and/or subcontract third parties by means of standard remunerated integrated services agreements or other standard forms. In the same way, the farm-out model remains a managing option for Pemex, depending on the strategic vs non-strategic importance of each oilfield in the framework of its E&P Portfolio.

The Reform extends the private sector's possibilities allowing for further operative innovation in the upstream sector in its entirety. As a combination of contractual arrangements, compensation schemes and special fiscal elements will be in effect shortly, it will be for the business community to generate the business opportunities in the sector.

3. INSTITUTIONAL DESIGN

The institutional design rests on a trinity driven by CNH (the National Hydrocarbons Commission, in charge of organizing public biddings, entitlements, contract executions, technical administration and the supervision of development plans) in collaboration with a strengthened role for the SHCP (the treasury department and tax administration in charge of tax conditions related to public biddings and contracts) and SENER (the Energy Ministry, in charge of area selection, technical design of contracts and technical guidelines of public biddings).

Under this new structure, the duo CNH-SENER becomes the new key player in the Mexican oil and gas industry as the new designing/awarding authority for private companies and Pemex.

Indeed Pemex will barely have a suggestion right as the CNH detains the power to have the last word as for the fields' assignments as well as for the partnerships if Pemex decides to migrate its exploratory /production entitlements (asignaciones) to any of the new contractual models. In the same way, the contractual flexibility will mainly be regulated by the CNH along with the SENER, which should be in charge, among other matters, of the contracts' technical design.

SENER's and CNH's new role considerably diminishes Pemex's decision-making power. While SENER has a major duty: to authorize which fields Pemex may exploit and who may accompany Pemex in such development, if Pemex so decides (round zero); the CNH shall determine whether or not a field should be opened to public bidding and the awarding and management of the allocated fields (round one and onwards). Indeed, Pemex will barely have the right to make suggestions as SENER and CNH have the last word on field assignments and partnerships whenever Pemex decides to migrate its exploratory titles. Yet Pemex is allowed to render its favorable opinions as to the characteristics of the operator with whom it will team up in the context of the tender rules.

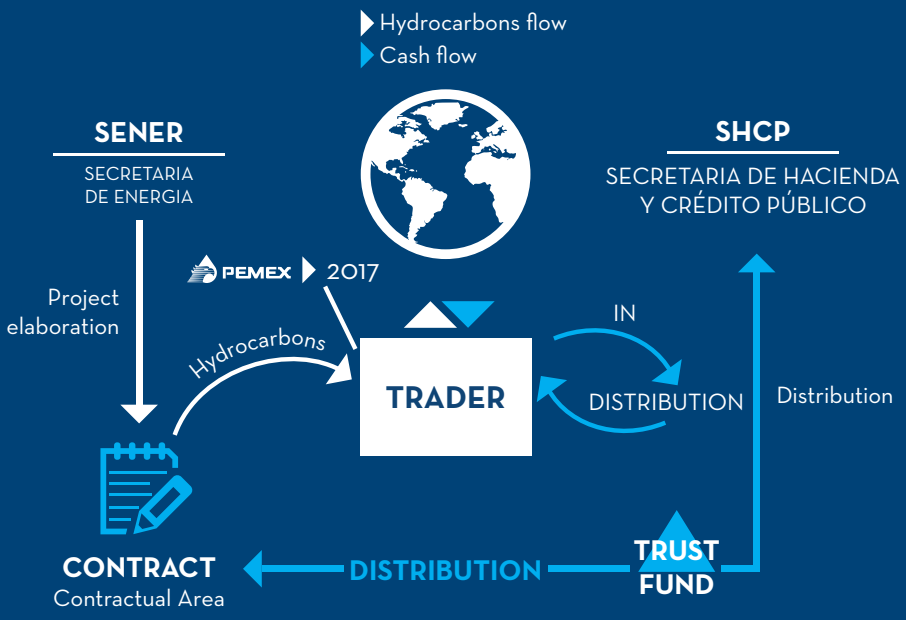
This collaborative framework also includes SEMARNAT (the Environment Ministry), which will be in charge of environmental regulations as well as industrial security.

The reform also brought a substantial modification with regard to the counterparty since each E&P contract must be entered with the federal government and no longer with Pemex. This means that, among other consequences, the negotiation stage will be carried out without the participation of Pemex's trade union (STPRM), which was strongly weakened by the reform as it has also been dismissed from Pemex's governing bodies.

The trade of the State's hydrocarbons will be carried out by PEMEX until 2017, year in which new traders might be hired by CNH.

Obviously, since various institutions are simultaneously unfolded, the biggest challenge will be to try to walk the same path without overlapping each other's work. Many of these new institutions have no or very few experience in running a bidding process or working with IOCs. Therefore, the apprehension of the private sector is understandable as many years of working-together with PEMEX established a mutual confidence that they will have to build up from scratch once again.

The effectiveness of this transition fully depends on the expertise of the professionals leading these institutions and their capacity to learn from



foreign failures and success stories. Although the new Coordination Council for the Energy Sector seems to be an efficient way to coordinate the different institutions, the stability rests on the individuals that may either jeopardize or foster this reform.

4. OIL REVENUES

The oil revenues will be placed under the control of the Central Bank and invested into a Mexican oil fund.

The fund will receive, upon tax payment, all revenues stemming from the exploration and extraction of hydrocarbons. In this regard, a priority chain has been designed to organize its distribution.

For that purpose, the contractor's payment precedes any distribution. The following elements, ordered by priority, will be: fixed Federal budget; debt sovereign payment and long-term savings.

Finally, if the net income exceeds 0.15% of the GDP, an investment program will be triggered (developments, projects, pensions).

Upon payment of taxes, the fund will receive and manage the federal goverment´s oil revenue stemming from hydrocarbon exploration and extraction.

INCOMES / CONTRACT

PAYMENT TO CONTRACTOR
Established in oil & gas E&P entitlement and contracts

Distribution after taxation

1. Fixed Federal budget (Constant at 4.7% of GDP)
2. Debt payment
3. Long- term savings (Up to 3% of GDP)

If long-term savings exceed 3% of GDP
- Long-term saving (until reaching 10% of GDP)
- Universal Pension System (up to 10%)
- Science & technology and renewable energy projects (up to 10%)
- Oil & gas project investment (up to 30%)
- Scholarships, connectivity...(up to 10%)

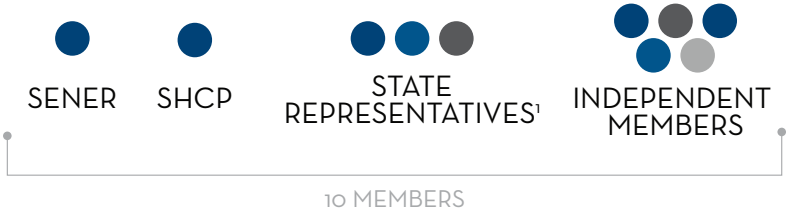
5. PEMEX'S CONVERSION INTO A "STATE PRODUCTIVE COMPANY"

As per the reform's provisions, Pemex shall progressively become, within two years, a State Productive Company, along with CFE (Electricity Federal Commission). This transition is designed to lead towards a greater managerial and technical autonomy, which would involve a special budget regime. Pemex will be subject to financial balance as well as income taxes, as any other private company and will benefit from a whole new governance approach and a tailor-made budget. The federal government is also expecting a hike in revenues as the private sector is likely to bring economic value to the nation. However, this conversion inevitably forces Pemex to pass over its historic powers for oil and gas to the new managers of the resource: CNH and SENER, the country's policymaker in this sector. The current context shows encouraging signs for PEMEX's transition. However, its ability to adapt itself to the new environment will also depend on accessing unprecedented levels of capital to be invested in a variety of upstream projects.

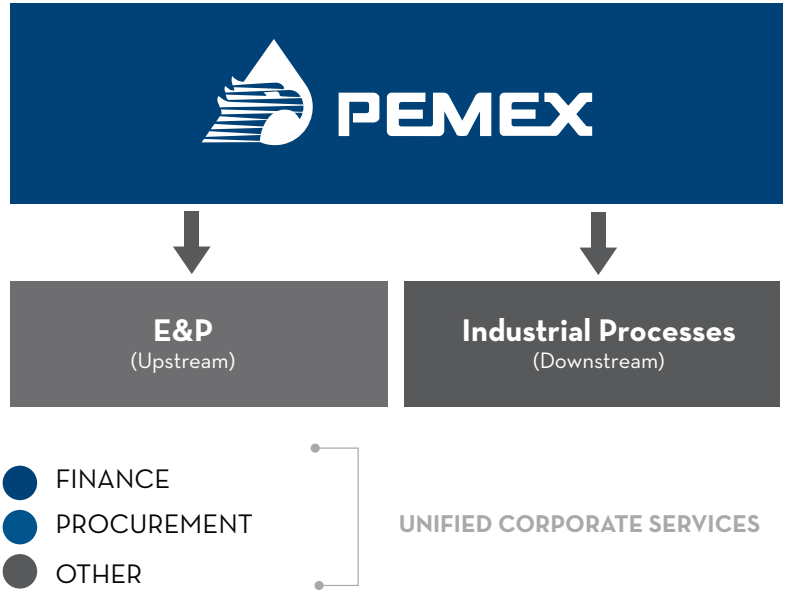
In addition to Pemex, other productive companies as well as ad-hoc financial vehicles, may be incorporated by the Federal Government in order to participate in specific areas, such as trans-boundary reservoirs, where a State participation is mandatory.

Pemex will become a competitor as any other private participan and this rather uncommon freedom granted to it obviously comes along with duties beyond tax aspects. PEMEX might respond of any reprehensible unfair trade practice before the COFECE (Economic Competition Federal Commission).

COMPOSITION OF NEW BOARD OF DIRECTORS



NEW CORPORATE STRUCTURE



Source: Pemex, 2014

6. ROUND ZERO

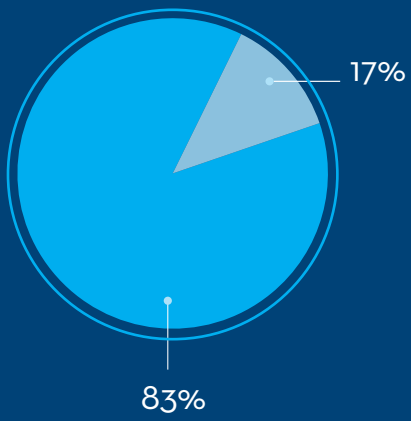
The new status given to PEMEX does not come without privileges as the National Company benefited from its own round (known as "Round Zero"). As producing fields will be kept (due to public finance status quo), the Reform granted a time window to Pemex in order to select and submit to SENER's approval the exploratory fields of its interest.

In April 2014, Pemex submitted to SENER its list of fields for which they claim priority. SENER issued in August 2014, one month ahead of its initial schedule, the resolution regarding PEMEX's request. According to such resolution, PEMEX obtained 83% of 2P reserves (proven & probable) in the country and 21% of prospective resources areas, that is 100% of the 2P reserves PEMEX asked for and 67% of the requested prospective resources. Such entitlements should guarantee to the National Oil Company 15 and a half years of activity in production (20.6 million of equivalent crude oil) with approximately 2.5 million barrels a day and almost 5 years in exploration activities. Pemex will also be required to meet the highest technical and financial requirements for exploration fields. CNH has the right to revoke Pemex's exploitation title after five years, if the activity was proven unproductive.

2P RESERVES

MMMboe

100% = 24.8

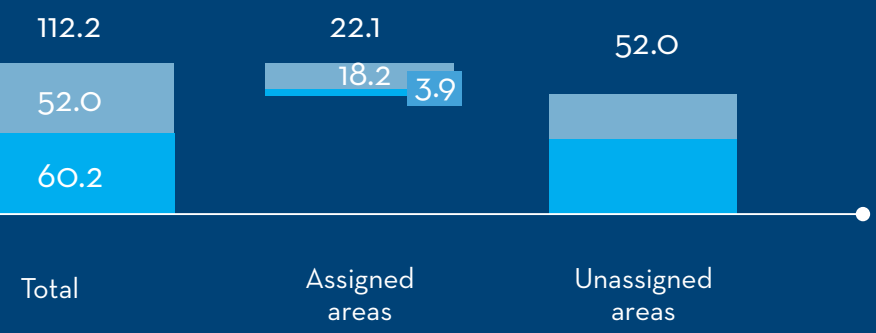


l and assigned areas

Unrequested areas

TOTAL PROSPECTIVE RESOURCES

MMMboe



onal Resources

tional Resources

% of prospective resources

Source: Pemex, 2014

Following this preliminary round Pemex has different options:

- To request the migration of its exploitation titles at any time for the next three years – subject to CNH's approval - into oil & gas contracts (i.e. Production Sharing Agreement - PSA) in which Pemex would be part to a Consortium with a Private Operator. Such Consortium would then, execute the Contract (i.e. PSA) with the Federation (via CNH).
- To keep its exploitation titles without migrating to oil & gas contracts. Doing so Pemex can either continue using traditional service contracts or enter into internationally-based oil & gas contracts (such as PSAs or other risk-based contracts) conducting its own bid rounds.

The migration process consists in changing the current entitlement model to a shared structure under the available contractual models, where SENER (with the technical backing of CNH) designates Pemex's partner through a public bid (with Pemex's opinion). Some of the fields assigned to Pemex will be migrated. The first completed migration is expected by February 2015.

Pemex acknowledges its need to team up – post round zero or during round one (by November 2014) and onwards - with international operators with sufficient experience and competence to guarantee efficiency and profitability standards. The first projects to be shared with private operators (farm outs) in 2014 are mature fields (onshore and offshore) for more than 400 square kilometers of areas and 8 billion dollars of investment. 2015 should introduce new partnerships with Pemex for extra-heavy oil, deepwater and Pérdido area projects (over 21 billion dollars of investment).

The Government is working hard to accelerate the pace of the Reform's implementation, as the whole timeline has been brought forward, and to ensure that international players could come into play as soon as possible. Indeed, so many expectative and interests require a tight and steady timeline.

7. ROUND ONE AND ONWARDS

The CNH's assignment decision after the Round Zero will clearly give way to the portfolio of fields left for the following rounds and will also give an indication as to the transition to an open market arena.

Round One will not include all fields but the most significant ones in terms of prospective resources. Due to the maturity term, level of CAPEX and other key factors, deep water fields might encompass Round One.

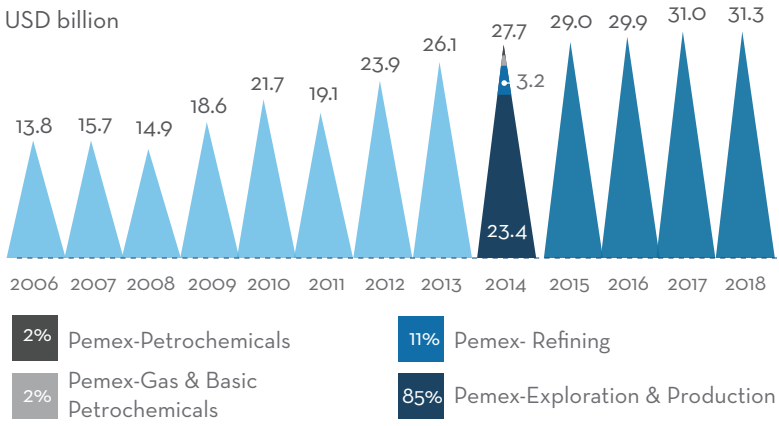
According to the most recent legal provisions, the bidding process may only be organized as an open international bidding process (Pemex's preferred form until now) excluding a closed invitation to tender (to at least three companies) and a direct awarding. If public bidding benefits of its own set of rules, the CNH will have a free hand to set up the bidding context although the contracts' technical design should be the SENER's task.

8. PROSPECTIVE MARKET

The Round Zero has all the characteristics of an attractive business-opportunity moment, since Pemex is definitely looking forward to build up consortia, as soon as possible. In this regard, Pemex's CEO has been giving strong signals regarding Pemex's will to behave as a true competitor.

Indeed, despite the preferential rights of Round Zero, Pemex will be considered as competitor and will be required to duly justify its participation in any area. In such environment, it should be expected that Pemex may change its management and business policy, even before the 2-years period, upon which it will be transformed into a commercially-driven entity.

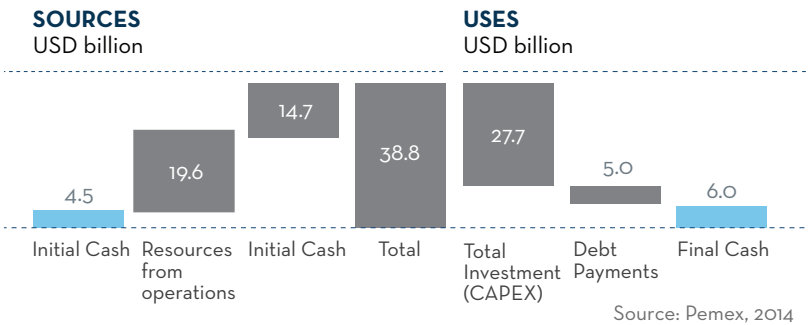
INVESTING TO MEET OUR LONG-TERM GOALS



- Figures are nominal and may not total due to rounding.
- Figures are based on PEMEX's Business Plan and subject to Congress and Ministry of Finance approval.
- Includes upstream maintenance expenditures.
- "E" means Estimated. For reference purposes, U.S. dollar - Mexican peso exchange rate conversions have been made at the following exchange rates, MXN 12.7677/ USD 1 for 2013, and MXN 12.9 / USD 1 for 2014 and beyond years.
- Includes complimentary non-programmed CAPEX.

Source: Pemex, 2014

EXPECTED SOURCES AND USES OF FUNDS 2014



Source: Pemex, 2014

From a ***game's theory*** perspective, some of the reasonable decisions, which Pemex could potentially take in the short/medium term, are the following:

- Because of the public finance status quo contained in the Energy Reform, Pemex is most likely to keep all fields already in production. However, it may not dismiss the possibility to resort to partnerships for some of them (specifically Salamanca, Salina Cruz and Tula);
- Pemex is most likely to ask for shallow water and light crude oil fields without farming-out. However, Pemex might resort to farm-out for heavy crude oil in shallow water;
- Pemex will probably migrate some of the deep water exploitation titles;
- Pemex will probably migrate mature fields exploitation titles (not yet in production):
- Pemex may foster early partnerships or even PSAs, without migrating some of its exploitation titles.

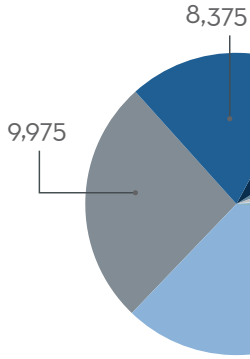
Pemex's goal is quite clear: to upgrade its role, from being a passive one super-power entity executing service contracts, to become a key active partner in numerous high value projects. When entering into PSAs, Pemex might be carried by the IOCs, aiming to expand the number of fields in which it can participate, depending on the size and characteristics of its portfolio after Round Zero.

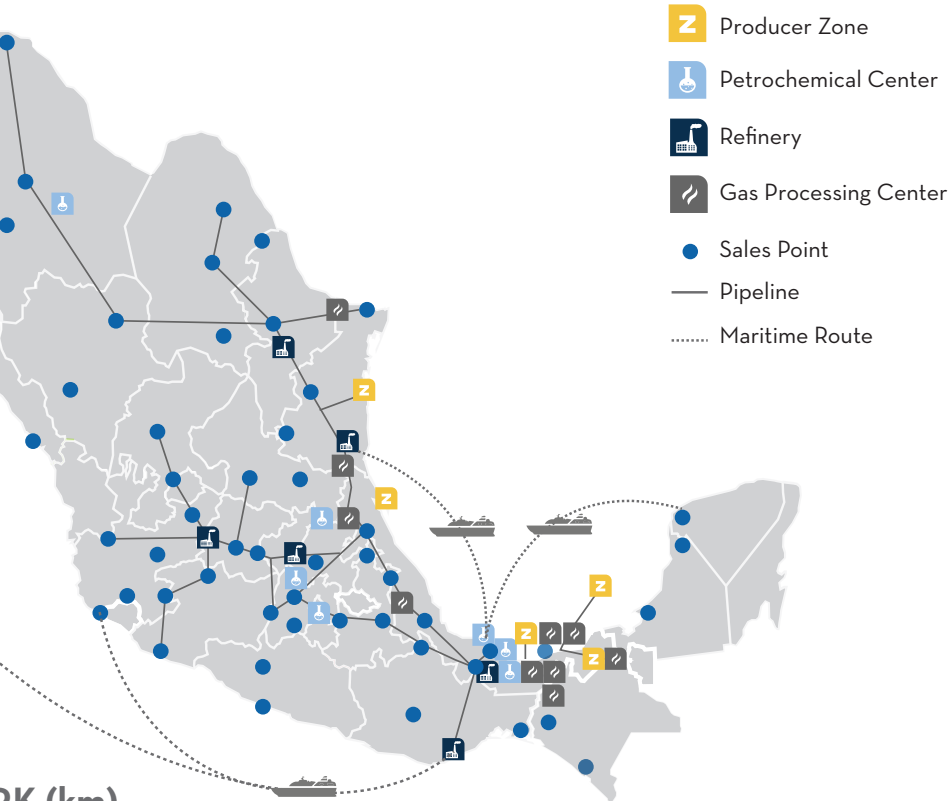
9. DOWNSTREAM AND MIDSTREAM OPPORTUNITIES

Another key element of this reform that should not be neglected is the development of midstream and downstream opportunities to be regulated, case by case, through a permitting regime. Even if the E&P business remains the major market, the reform clearly opens the other two levels of the oil-related business (midstream and downstream, to be mostly regulated by the CRE). Refining will be one of the key areas to be considered by long-term investors.

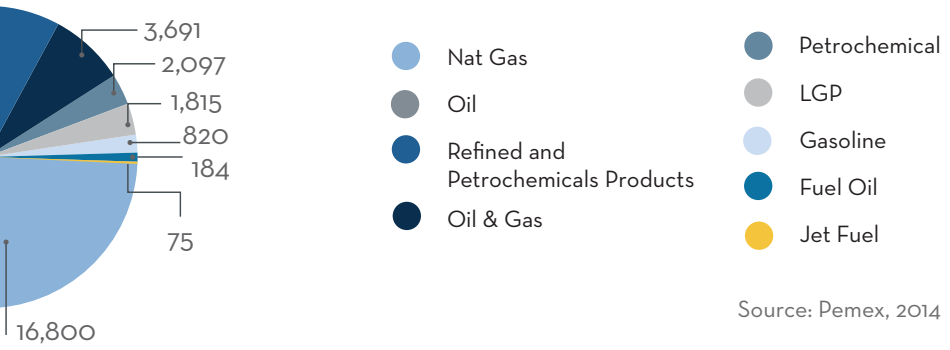
According to the SENER's 2011-2025 Natural Gas Market Prospective, a new strategy has been considered to intensify the use of natural gas. This new strategy involves the enhancing of current infrastructure and the development of new transport systems (pipeline networks) and compression facilities. In addition to these projects, distribution programs have been considered to develop distribution infrastructure and gas provisioning capabilities. Midstream activities have not been put aside and will offer wide possibilities.

PIPELINE NETWOR





RK (km)



Source: Pemex, 2014

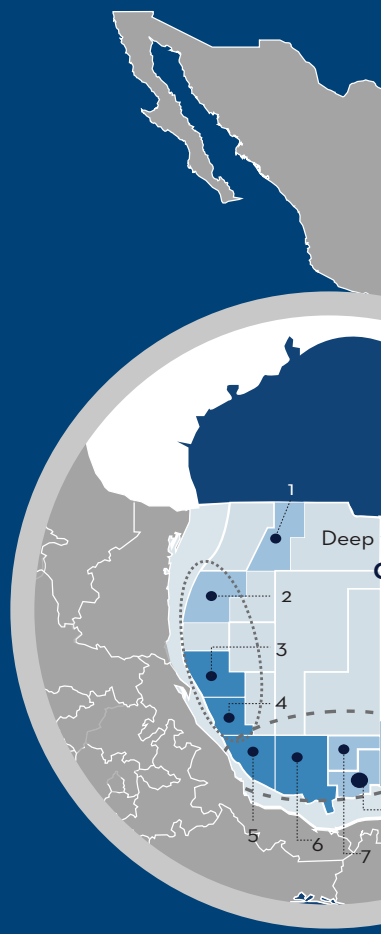
10. DEEPWATER PROJECTS

Deepwater projects are still under-exploited in Mexico since Pemex behaved cautiously and massive areas are yet to be de-risked.

Notwithstanding this prudent behavior, Mexico's deepwater prospective resources are high in the Gulf, with an estimated 26.56 MMMBPCE. Some fields are in this regard particularly relevant: Perdido (100-600 MMboe in light crude oil); Holok (100-480 MMboe in gas and light crude oil) and Nox-Hux (90-250 MMboe in heavy crude oil).

1. **PERDIDO FOLDED BELT**
   100 - 600 Mmboe*
   > 2000 meters**
2. **OREOS**
   40 - 130 Mmboe*
   > 800 - 2000 meters**
3. **HANCAN**
   35 - 290 Mmboe*
   > 500 - 2500 meters**
4. **JACA-PATINI**
   90 - 260 Mmboe*
   > 1000 - 1500 meters**
5. **TEMOA**
   20- 270 Mmboe*
   > 850 - 1950 meters**
6. **LIPAX**
   50- 200 Mmboe*
   > 950 - 2000 meters**
7. **HOLOK**
   100- 480 Mmboe*
   > 1500 - 2000 meters**
8. **HAN**
   80- 350 Mmboe*
   > 450 - 2250 meters**
9. **NOX- HUX**
   90- 250 Mmboe*
   > 650 - 1850 meters**

DEEPWATER PRO



Heavy Crude Oil

Light Crude Oil

Gas / Light Crude Oil

9 exploration oil wells for 7 years (2012- 2018) Est. Investment: $26.500 millions (MXN)

71
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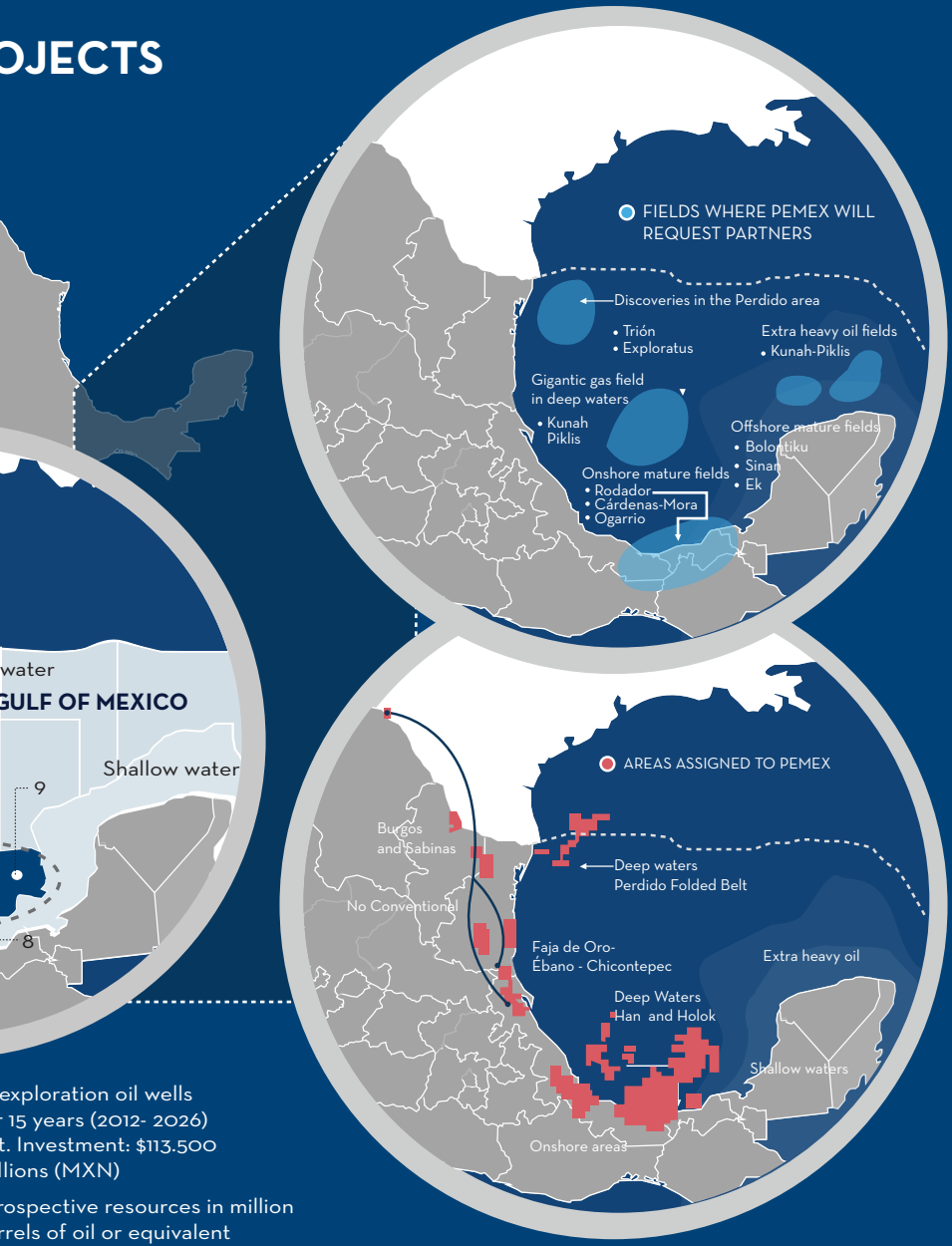
**D

OJECTS



exploration oil wells
r 15 years (2012- 2026)
t. Investment: $113.500
llions (MXN)

rospective resources in million
rrels of oil or equivalent
Depth

11. SHALE GAS

According to the U.S. Energy Information Administration, Mexico is the fourth country with largest reserves of Shale Gas, only after China, the U.S.A. and Argentina and it is estimated to represent the 6% of the world reserves of shale gas, and the country plans to profit from this advantage.

Pemex's serious lack of advanced technology leads the national company towards the formalization of foreign partnerships. Due to the nature of Pemex's needs, it is fair to believe that partnerships are most likely to concern specialized companies skilled in hydraulic fracturing, horizontal drilling and other extraction techniques.

If deepwater projects related to shale gas may remain risky, plenty of onshore opportunities are available. The Burgos Basin is considered as one of the country's most promising field in shale gas and is currently arousing keen interest of private investors.

In any event, due to the low margins on shale gas, the awarding of fields by CNH might still take some time. Moreover, as Mexico does not have key comparative advantages *vis-à-vis* the USA in terms of shale gas, it is likely that only reservoirs which also include liquids are to be of interest for private operators. The shale gas market will definitively have a different momentum and characteristics, as the case of the USA.

12. WHAT ABOUT FUNDING?

The Mexican oil sector will seek and require unprecedented investment levels, estimated around 60 billion dollars a year. With such investment, the production may reach over 3 million oil barrels and 16 billion cubic feet of gas a day, when Pemex's current cash flow is around 20 to 23 billion dollars a year. Reaching such levels entails higher stakes for financial institutions of all types. Private equity for oil & gas activities will soon be rocketing in the country. Furthermore, a potential IPO of a Pemex's highly specialized subsidiary (i.e. deep waters) is likely to take place in the near future.

PROSPECTIVE RESOURCES

1. **VIZCAINO - LA PURÍSIMA- IRAY**
   Considered as a medium - low potential area
2. **GOLFO DE CALIFORNIA**
   Dry gas area with a medium - low potential
3. **CHIHUAHUA**
   Considered as a medium - low potential area
4. **SABINAS - BURRO- PICACHOS**
   Ava. 0.4 MMMbpce
5. **BURGOS**
   Ava. 2.9 MMMbpce
6. **CINTURÓN PLEGADO DE LA SIERRA MADRE ORIENTAL**
   Considered as a medium - low potential area
7. **TAMPICO-MISANTLA**
   Ava. 2.5 MMMbpce
8. **VERACRUZ**
   Ava. 0.5 MMMbpce
9. **SURESTE**
   Ava. 20.1 MMMbpce
   (Cantarell, Ku- Malob-Zaap, A.J. Bermúdez, Julio Tecominoacán)
10. **CINTURÓN PLEGADO DE CHIAPAS**
    Discoveries in the north of this area
11. **PLATAFORMA DE YUCATAN**
    Ava. 0.5 MMMbpce
    Only in production in Guatemala and Belize
12. **GULF OF MEXICO**
    Ava. 2.6 MMMbpce

13. NATIONAL CONTENT

Mexico made the choice to keep up a certain level of national preference. Opening up to international players may be synonym of a strong drop in the employment of national workers.

The secondary legislation included this consideration since 25% of "national content" should be involved in any project by 2015. This rate should reach 35% by 2025.

Considering the specificity of deep-water and ultra deep-water projects, the rates applicable to such activities shall be defined as per SENER'S criterion and following the same growth curve.

14. AGRARIAN & COMMUNITIES MATTERS

Agrarian, social and environmental regulations will have to be tested in real terms, as Pemex will no longer be the only player dealing with such sensitive matters.

The agrarian, territorial and urban development Ministry should be in charge of issuing guidelines and contract models for land use and superficial occupancy. They should also act as mediator for disputes between contractors and landowners / contractors, since the communities are entitled to receive a percentage of the incomes generated. Agrarian issues might be a relevant challenge for the success of the Reform.

Countries as Malaysia, Norway and Brazil are amazing examples of National Oil Companies becoming competitors, counterparts and partners at the same time. The country seems to meet all conditions to accomplish such transition. All in all, the structural reforms in the oil and gas sector have always increased production and strengthen the NOC. The same is expected to happen in Mexico.

ELECTRICITY AND RENEWABLE ENERGY

The energy reform initiated a deep restructuring process of the Mexican power sector. The new Power Industry Law brings a full liberalization for power generation and a partial liberalization for power transmission and distribution.

1. GENERATION

Private companies are now allowed to generate power, meaning that their power plants will be able to compete with CFE's (Electricity Federal Commission) power plants on the market in a near future. The new legislation guarantees to private companies a non-discriminatory and open access to the public grid under the same terms and conditions as all CFE power plants.

2. TRANSMISSION AND DISTRIBUTION

This new law allows partnerships and cooperation between the State (through the State Productive Company-CFE) and private companies for the expansion and modernization of transmission and distribution infrastructures. Private companies will be able to participate in the financing, construction, operation and maintenance of transmission and distribution lines, although the ownership of the assets will remain of CFE.

3. COMMERCIALIZATION

The Mexican power supply market will be divided into two segments: (i) a regulated market for users of the basic supply; and (ii) a liberalized market for "qualified" users that are registered as such. To become a qualified user with access to the liberalized market, the user is required to comply with a certain minimum power demand or consumption requirements. The electricity prices for the liberalized market are subject to free market conditions:

- Either according to the power purchase agreements entered into by the qualified users and qualified electricity suppliers; or,
- According to the spot prices established in the Wholesale Electricity Market.

4. THE TRANSITIONAL PHASE

This stage involves a complete restructuring of CFE – the separation of generation, supply and transmission activities –, the creation of an autonomous National Centre for Energy Control (Centro Nacional de Control de Energía – CENACE), entity that will be in charge of the new Wholesale Electricity Market and the issuance of the new regulations by the Energy Regulatory Commission (Comisión Reguladora de Energía – CRE). This transition should take between six to nine months according to the new provisions. The Mexican Government has confirmed its commitment to a 35% of clean energy power generation by 2024 and announced a "Green Energy Package" to be submitted to the Congress in September 2014.

5. INVESTMENT OPPORTUNITIES

According to the Infrastructure National Program 2014-2018, the transformation of the energy sector will be possible by fostering investment and increasing the operating companies' efficiency, both public and private, as well as the development of projects from a greater number of players competing in different market segments. According to such program, it is expected that for the period 2013-2018, investments from private sources could reach 27% and the potential of private investment that represent the structural reforms, could also reach 20 billion dollars annually from 2015 to 2018.

Currently, CFE has identified numerous development opportunities to invest in electricity supply through pipelines to generation plants across the country. In this context, CFE will evolve from an electricity company to an energy company that will provide electricity and natural gas services. According to the program, it is estimated that the national electricity consumption will increase around 27% by 2018, compared to the year-end 2012, through the construction of 25,184 MW of additional capacity.

6. DIFFICULTIES AND GOALS

Today, the Government recognizes that the main difficulties in the electricity sector are: saturation of transmission lines, the need to interconnect areas where electricity is generated from renewable energies, accelerate the natural

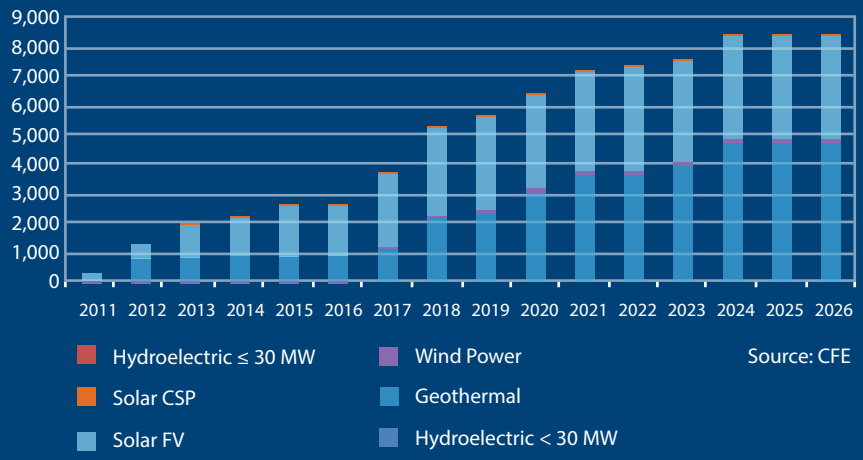
gas supply and reduce energy losses in the transmission and distribution systems. Thus, through the liberalization of the sector, Mexico intends to boost and strengthen investment in infrastructure to minimize and hopefully eliminate such difficulties.

Allowing free competition in activities such as generation and commercialization of electricity will create a market in which users will be attended by CFE or new private generators, whose projects will represent approximately 25 billion dollars in investments. In generation projects, it is expected that private investment will gradually increase until it represents a 15% of total investment by 2018. Through investments in transmission infrastructure, the Government intends to reduce grid congestion which prevents efficiency in sharing generation resources between different regions. Moreover, one of the most ambitious goals brought by the program is to achieve interconnection of clean technologies to the grid. Expanding and developing transmission lines will provide alternative routes to carry electricity from the generation point directly to the users, increasing efficiency and security of the system, while allowing the development of generation projects based on renewable energies. Another important challenge for the power sector will be to increase the efficiency, availability, reliability and security of the power distribution systems, which means, among others, the deployment of "intelligent lines".

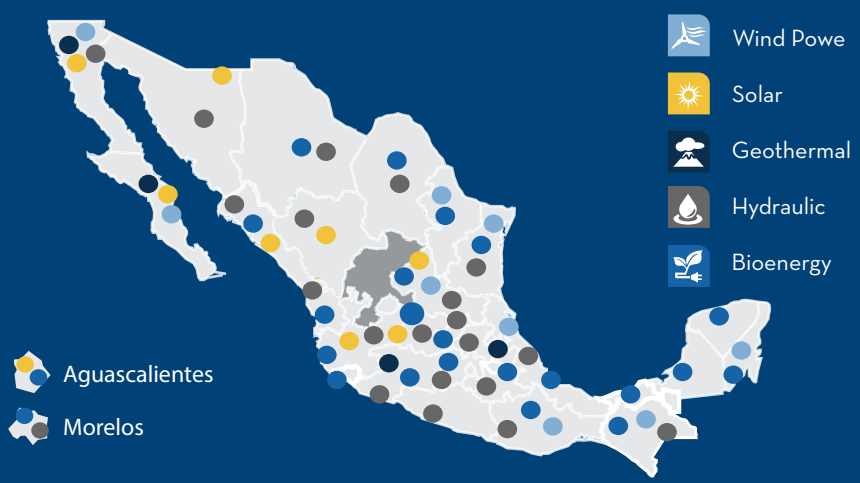
Through investments and modernization in distribution lines, supplying electricity to potentially productive regions within Mexico and eventually reducing electricity prices is now a goal within reach.

EVOLUTION OF THE ADDITIONAL CAPACITY OF ENERGY GENERATION WITH RENEWABLE AND NEW HYDROELECTRIC ENERGIES FOR PUBLIC SERVICES,

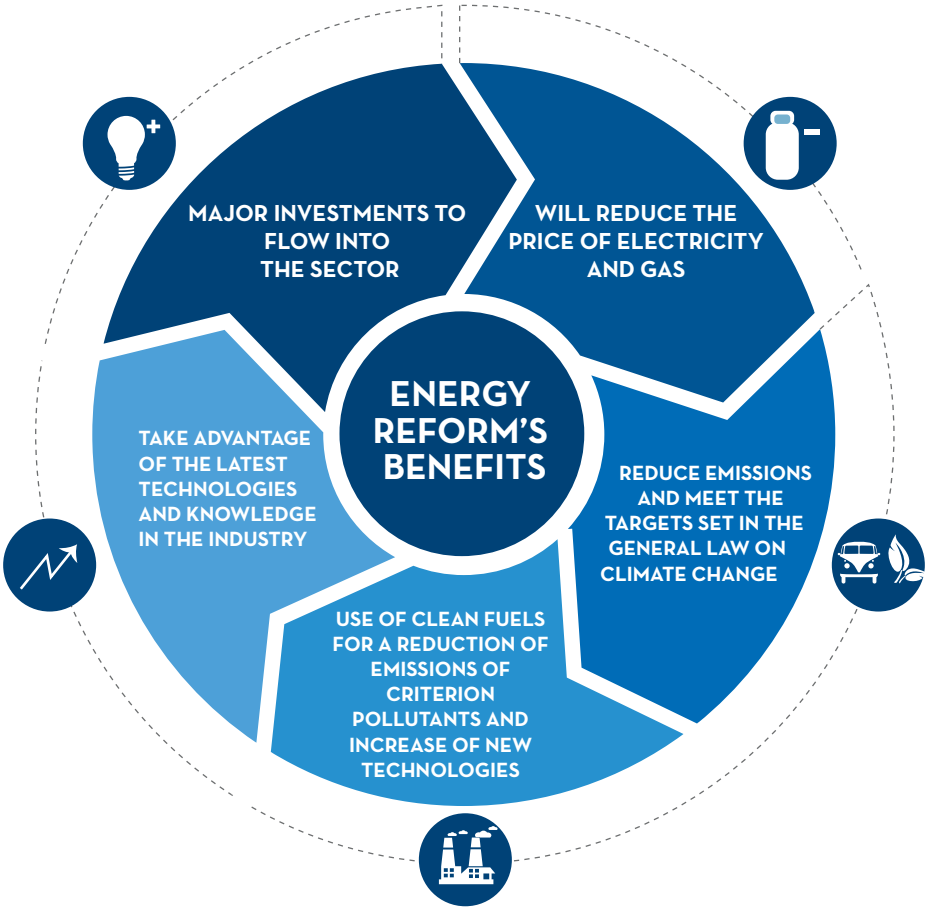
2012-2026 (IN MW)



OPERATING CENTERS OF ELECTRIC ENERGY GENERATION



Source: CFE, CRE and other electronic sources, 2012


ENERGY REFORM'S BENEFITS
MAJOR INVESTMENTS TO FLOW INTO THE SECTOR
WILL REDUCE THE PRICE OF ELECTRICITY AND GAS
REDUCE EMISSIONS AND MEET THE TARGETS SET IN THE GENERAL LAW ON CLIMATE CHANGE
USE OF CLEAN FUELS FOR A REDUCTION OF EMISSIONS OF CRITERION POLLUTANTS AND INCREASE OF NEW TECHNOLOGIES
TAKE ADVANTAGE OF THE LATEST TECHNOLOGIES AND KNOWLEDGE IN THE INDUSTRY

OIL & GAS / MARITIME

As one of the top-5 full service Law firms in Mexico with more than 80 years of experience and over 250 professionals and staff members, Goodrich remains a renowned and respected actor of the Mexican law environment. Ranked Tier 1 full-service Law firm in the Energy sector (Chambers & Partners), Goodrich does not only advice and represent companies for energy deals but also accompanies its clients through all the steps of their ventures providing them thoroughly processed and far-reaching proposals in various practice areas. We have been representing for many years – amongst other relevant players – IOCs (International Oil Companies) from all around the globe and some of the top-10 biggest players in the industry, Independent Producers, Oil Service Companies, Maritime- Oil Contractors and International Financing Entities, leaders in the most important projects of Mexico's current energy scene.

We believe that our vast experience and our business-oriented & innovative approach cover our clientele expectations. In this regard, Goodrich has recently participated in projects as significant as: (i) the main integrity system for oil pipelines for the country; (ii) transoceanic project which will involve the design, development and construction of ocean-to-ocean new pipelines and infrastructure and the improvement of current infrastructure in the region to increase its capacity for the transportation of hydrocarbon products; (iii) large midstream project consisting in the update and improvement of industrial infrastructure including pipelines, dehydration plants and refining facilities; (iv) the first natural oil and gas fields awarded through performance contracts in Mexico's modern history; (v) a variety of projects for the on-shore production of unconventional hydrocarbons (ATG) of the country's largest reservoir; (vi) Accompanying a worldwide leading oilfield service company to enter into the first E&P risk service contracts (RSC) awarded by Pemex for onshore and offshore mature fields projects; (vii) operation and financing of state-of-the-art semi-submersible oil platforms for deep-waters exploration and production; (vii) the secondary market contract structure for Mexico's main natural gas duct transport capacity; and (ix) the design of ad hoc international multi-party financing models for Mexico's oil and gas industry.

ELECTRICITY / RENEWABLE ENERGY

Our Power and Renewable Energy team has deep and broad experience covering all of the major renewable energy sources – wind, solar, hydroelectric, and biomass. It has represented a broad of important domestic and foreign developers and clients in the renewable energy industry. Likewise, our team of lawyers is well aware of the federal, municipal and state policies and applicable laws and regulations, as well as other programs that impact the value of and procurement of all renewable sources. We have structured complex wind and solar energy projects, through the preparation and negotiation of all kinds of agreements, such as Engineering, Procurement and Construction agreements, Public Private Partnerships ("APP") and Power Purchase Agreements ("PPA").

The members of our renewable energy practice group have been involved in the sector since the first renewable energy projects in Mexico and have provided legal advice to developers of renewable energy projects, equipment providers, financial institutions and foreign and local investors. We advise investors in every aspect of the project development, including Due Diligence, different types of contracts for use of land, resolutions and permits for power generation, negotiations with authorities, drafting of PPA's, APP´s and public procurements with governmental authorities as off takers. Recently, our renewable energy practice group has successfully advised the main developer of rooftop solar energy projects in Mexico in each phase of the development, engineering, procurement and construction of such projects. We were also recently involved in the structuring of a major strategic alliance for the development of solar projects of 250 Megawatts in Mexico.

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