

**SPEECH OF ENRIQUE PEÑA NIETO,
PRESIDENT OF MEXICO**

***CONFERENCE OPENING
AND CEREMONY OF THE
“IHS CERAWEEK GLOBAL ENERGY LIFETIME
ACHIEVEMENT AWARD”***

**Houston, Texas;
February 22nd, 2016.**

LADIES AND GENTLEMEN:

It is a pleasure to participate in the most important energy meeting in the world, with over 35 years of history.

I appreciate the invitation of the executives of I. H. S.; and I especially thank Daniel Yergin, CERAWEEK Chairman.

First of all, in this forum, I would like to express my sincere gratitude for the distinction you have generously conferred upon me.

I receive this award on behalf of the Mexican people. The progress achieved in the energy sector, that you recognize today, is not the work of a single person, nor even of a single government, it is the result of a collective effort to transform our Nation.

Once again, thank you very much.

For many years – even decades – it was evident that Mexico needed to make substantial changes to break down barriers, keep up to date, and release its potential.

The assessment of the analysts and specialists was clear: structural reforms were needed in different priority sectors.

However, in Congress, it had not been possible to achieve the reforms due to the lack of the required majority to pass the bills.

Faced with this reality, since the transition period between administrations, we began a dialogue and a process of approachment between the main political forces of the country.

From our priorities and coincidences, we started to determine a transformation agenda together, but not only that: we assumed specific commitments and deadlines to accomplish them.

Thanks to this, the second day of my administration we signed the Pact for Mexico. From there and through an intensive legislative process, 13 transformative reforms were achieved.

Some of them extend people's rights – as the Education one – ; others strengthen our institutional regime; and 6 of them will enable an increase of our competitiveness and will accelerate our economic growth in the years to come.

These reforms are: the Labor; the Financial – to expand the credit level – ; Economic Competence, Telecommunications; Tax and, of course, the Energy Reform, that represents the most important economic change in my country over the last 50 years.

In fact, it represents a paradigm shift, in the way in which Mexico obtains, transforms, and takes advantage of the energy sources.

With this Reform, the Mexican State maintains the ownership of the underground hydrocarbons and, at the same time, it allows the private participation in the entire hydrocarbon value chain and practically in all the electricity industry.

In general, we are making a transition from 2 state monopolies – one for the electricity and the other for the hydrocarbons – , to a new model of energy markets, which are characterized by openness and competition, and by its transparency and legal certainty.

This Reform have been recognized for its breadth and depth; while its accelerated implementation and professionalism have surprised.

Indeed: despite the complex international context, the Energy Reform is being implemented; what is more, it is being implemented with success and faster than expected.

The progress is heartening:

In 2013 the Constitutional Reform was approved; in 2014 the Secondary Legislation was achieved.

Regarding the electricity sector, the Reform is allowing to offer more competitive tariffs for the industry, businesses and homes.

With this objective, the new Wholesale Electricity Market started its operations last January, which makes possible free competition in the production and merchandising of electricity.

That is to say, public and private companies, national and foreign, have now the possibility to produce and sell energy.

The key principle of this new electricity market – in favor of consumers – is that the lower-cost electricity is dispatched first.

Consequently, unprecedented opportunities are opened to investment in the electricity sector.

I want to announce that on the second quarter of this year, the Federal Electricity Commission will put the first great Transmission Line to tender, with private participation, under the Energy Reform.

This important infrastructure project will allow clean energy – wind and hydro –, from the Isthmus of Tehuantepec, to flow and satisfy the demand of the center of the country, 600 kilometers – or 372 miles – away. It will be the first line built in Mexico using high-voltage direct-current technology and an estimated investment of 1.2 billion dollars.

Additionally, Mexico has a new Law of Energy Transition; which facilitates the integration of clean energy into the electricity production matrix.

This way we could achieve that the 35% of the generated energy in Mexico, in 2024, comes from clean sources; 40% for 2035 and 50% toward 2050.

For its part, in the hydrocarbons sector, Round Zero was accomplished in 2014 and, in 2015, the 3 first bids of Round One were made, all of which in accordance with the highest international standards of legal certainty and transparency.

Through competitive and transparent processes – even live streamed – 30 contracts were assigned to the same

number of national and international companies, giving way to a new oil industry in Mexico.

Though these are all positive developments, there are still some stages of the Energetic Reform to come.

At this point, I want to be very clear with the principles that will continue to guide the Energy Reform implementation.

FIRST. Regardless what happens in the international context, Mexico will move forward with the Energy Reform implementation.

Just like I committed myself to achieve the Energy Reform at the moment, now I am committed to accomplish its full, effective and timely implementation.

Despite the low international oil prices, the world is trusting and investing in Mexico. All the bids of planned contracts for 2015 were made with increased success.

This is not the time to stop, this is the time to move forward.

SECOND PRINCIPLE. The Mexican State will continue implementing the Energy Reform; on the basis of the highest standards of transparency and accountability.

THIRD. We will continue to work to have an energy sector characterized by regulatory and contractual practices of excellence, which will give total certainty to the investors.

With this purpose, we will maintain a competitive and stable tax framework; while the mexican authorities shall continue to work with total openness and disposition to continue improving their processes.

After 7 decades of having a completely closed energy sector, it is much what we can learn from dialogue with the industry to achieve an open and dynamic energy sector with competition, such as the one we are developing.

We know that you can invest in any part of the world and for you to decide to invest in Mexico, you need competitive conditions and full certainty.

Consistent with this, I would like to be very clear with you: I assure you that we will maintain the rhythm in the bids of contracts for hydrocarbons extraction.

In fact, here, in the most important energy forum, I want to announce that the fourth call for bids of Round One will be issued in the first days of this December – which corresponds to the deep water deposits in the Gulf of Mexico.

This decision demonstrates and confirms the commitment of the Mexican Government with the Energy Reform implementation, in a fast and decisive way.

Regardless of the oil price in the short term, Mexico is decided to have the technological, financial and of risk management capability that the global oil industry has already developed for this type of large-scale projects.

Within the hydrocarbon sector, another area which is evolving is the one of the liquid fuels.

We are passing from a state monopoly which refined, imported, transported, and merchandised both gasoline and diesel, to an open market with full competition, as in most of other countries.

To that end, a series of gradual adjustments were established, in order to have an open and liberalized fuel market by 2018.

Since 2014, the activities of transportation, storage, distribution and commercialization of liquid fuel remained fully opened to the private sector.

In 2015, we went from a flat rate scheme, of gasoline and diesel, to a maximum price scheme.

And as of January first of this year, it is allowed for the gas stations to not have to be a Pemex franchise and the supply shall not be made subject to the franchise.

As part of this process, in 2017, companies different from Pemex could be able to import fuels.

Nevertheless, I want to announce that we will bring forward this opening. As of April first of 2016, any company will be able to import gasoline and diesel. Which should be reflected in better prices.

This opening to imports of third parties, it is a forceful action, which will detonate a high private investment and will allow the existence of a strong competition in the fuel sector by 2018, when the prices are completely released.

With the announcements of today, Mexico makes clear that the Energy Reform moves steadily forward.

To conclude this presentation, I would like to speak briefly about PEMEX – the State productive company and the main stakeholder of the energy industry of my country.

PEMEX is facing great challenges, but also major opportunities.

Like the others oil companies of the world, it has challenges driven by international low oil prices and it will have to overcome them through smart financial decisions.

In this regard, PEMEX will have to focus on cutting expenses and reaching greater efficiencies; it will have to prioritize investments; and above all, it will have to take advantage of the opportunities for new partnerships that the energy reform have created.

That is right, PEMEX's greatest opportunity and its main differentiating element –regarding other oil companies–, is that a substantial energy reform supported it, by providing it

with a new set of instruments and mechanisms to strengthen its structure and to face the complex international situation.

LADIES AND GENTLEMEN:

This national transformation process, which we began on December first of 2012 is ongoing.

Since a renewed legal and institutional framework, with innovative public policies and a strong boost to the infrastructure, Mexico is keeping update with an open, competitive, innovative and growing economy.

Based on this process of deep change, we will continue to increase our economic and productive integration with the United States; and, working together, we will make of North America, the most competitive region of the world.

This is our common vision, this is our opportunity, and together we will work to make it real.

THANK YOU FOR YOUR ATTENTION.