

A LIMITED GAS STATION NETWORK

Years of a PEMEX monopoly delayed development of much-needed infrastructure. As a result, the US has 10 times the number of gas stations for a population about three times as big as Mexico's. Change, however, is on the way.

The now extinct state monopoly over Mexico's oil and gas industry had a stifling effect on the development of crude oil production and also on the infrastructure needed to distribute products to the final customer. Fixed fuel prices set by the government and the presence of PEMEX as the country's only supply source led to an underdeveloped network of gas stations.

In 2017, as part of the sweeping changes brought about by the Energy Reform, Mexico started a process to abandon

the single-supplier system and move toward a competitive, open market where prices will be determined by the market and gas stations will compete for clients. Official data points to around a dozen new fuel storage and distribution companies setting up shop, with projected investments of US\$427 million, according to CRE.

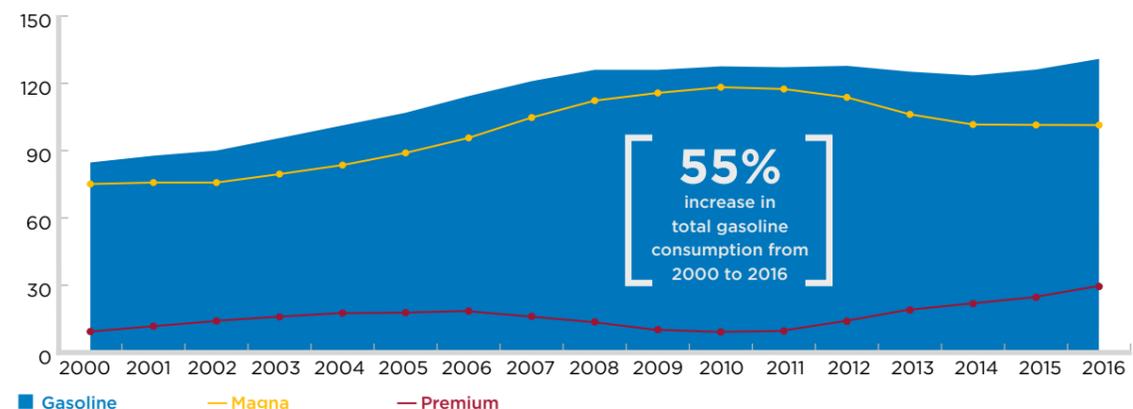
"The previous model discouraged investment in fuel transportation and storage, resulting in an insufficient infrastructure and therefore less security in the fuel supply," CRE said in a press release early in 2017. "Under the new scheme, investments for US\$2 billion have been identified and there is an additional US\$12 billion expected to reinforce Mexico's fuel supply," it added.

STAGES OF THE STRATEGY

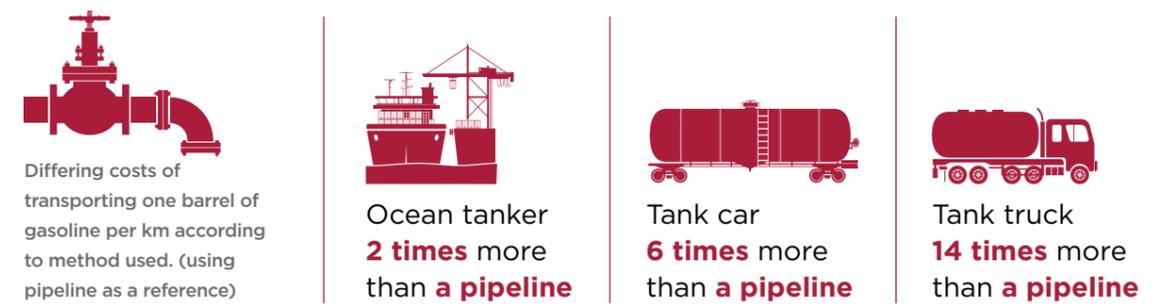
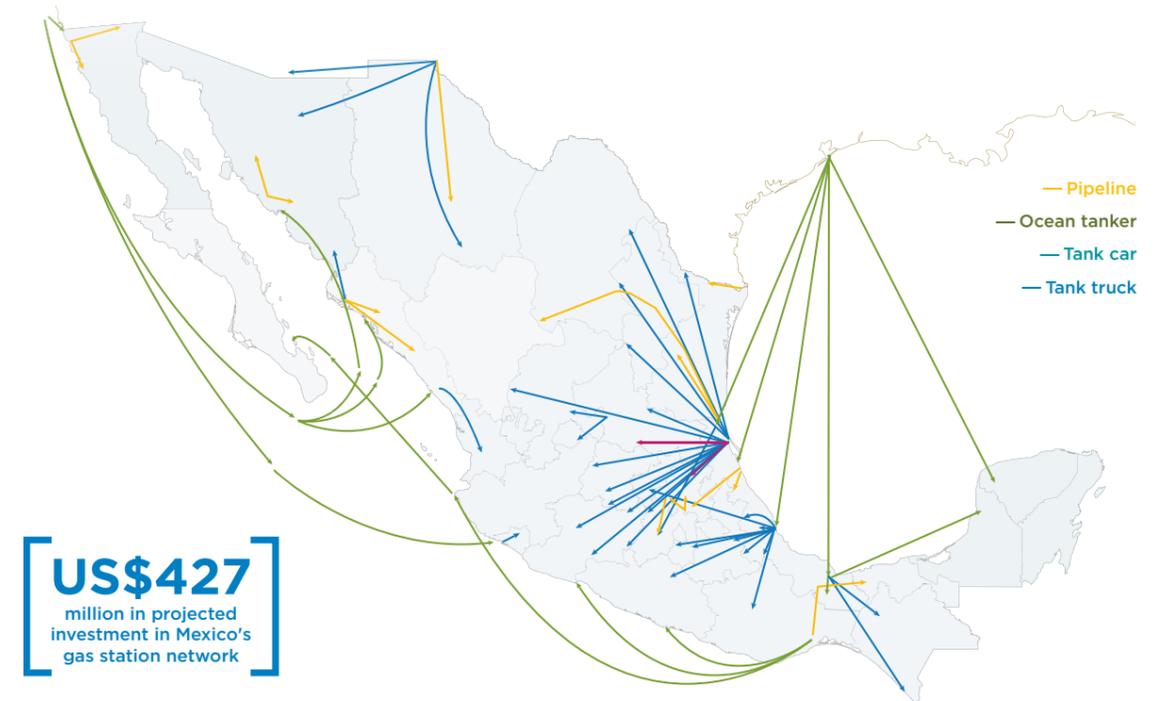


With effect from February 18, 2017, the Ministry of Finance established regional maximum daily prices, which take into account the costs of production, transportation and storage of gasoline and diesel. In adherence with the following calendar, CRE will gradually ease the prices, which will fluctuate according to market conditions

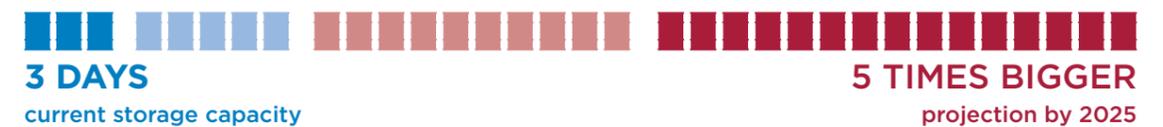
TOTAL GASOLINE CONSUMPTION IN MEXICO (million liters per day)



FUEL DISTRIBUTION ROUTES

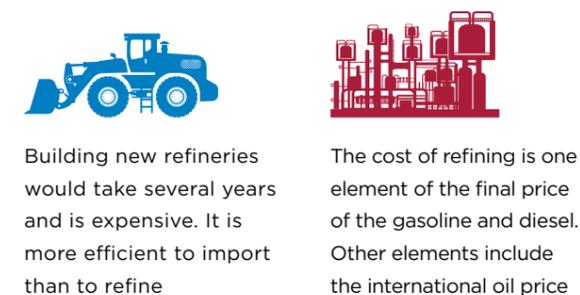


PROJECTED STORAGE CAPACITY IN DAYS



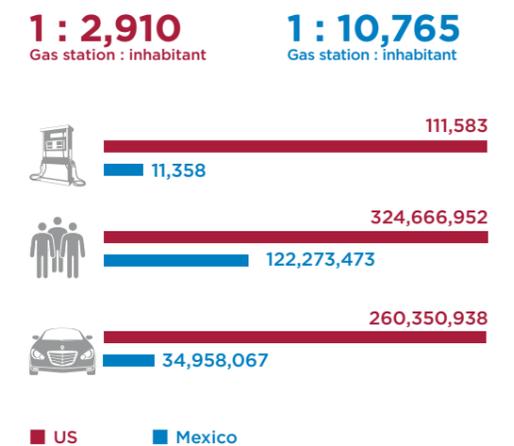
SHOULD MEXICO BUILD NEW REFINERIES?

The existence of more refineries does not necessarily mean lower fuel costs for the following reasons:



According to the conditions of the market and the industry, it is more convenient to reconfigure existing refineries.

HOW DOES MEXICO COMPARE?



Source: Ministry of Energy, Ministry of Finance, CNH and CRE