

Mexican energy reform must not be hindered by weak regulatory governance, expert says

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Mexico's budding energy reform must not be weakened by inadequate or insufficiently autonomous regulatory agencies, according to Miriam Grunstein, a contributing expert and scholar in the Mexico Center at Rice University's Baker Institute for Public Policy.

Grunstein outlined her insights in a new issue brief, "Coordinated Regulatory Agencies: New Governance for Mexico's Energy Sector." Grunstein, who is also a professor of law at Centro de Investigación y Docencia Económicas (CIDE) in Mexico City, is available to comment on these and other developments related to Mexican energy reform.

In December, Mexico's Congress approved constitutional reforms to the energy sector that liberalize the entire value chain of the hydrocarbon industry, open a wholesale electricity market and propose a new institutional architecture for energy regulatory agencies. While the constitutional language describing the model to be adopted by the regulatory agencies is rather broad, the recently approved implementing legislation provides a clearer definition of their structure and areas of authority, Grunstein said.

Two "coordinated regulatory agencies" will now regulate Mexico's energy sector: the already-existing National Hydrocarbons Commission (CNH) for upstream activities and the Energy Regulatory Commission (CRE) for midstream and downstream oil and gas activities.

Grunstein in particular fears the Coordination Council for the Energy

Sector, which oversees both agencies and is composed of the Mexican secretary of energy, the undersecretaries of hydrocarbons and electricity and the chairs of the CNH and the CRE, will affect the agencies' performance.

"The autonomy of these agencies will be severely hampered if the council's decisions are binding," Grunstein said. "If the law is approved as currently written, and if the council interferes significantly in the actions of the agencies, then all efforts to confer autonomy to these agencies will be met with unsatisfactory results. Mexico's new energy sector will begin with a weak institutional structure that may hinder its future effectiveness."

More information: [bakerinstitute.org/media/files ...
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Provided by Rice University

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