

Cofece-022-2022

Cofece warns of risks to competition in the market of natural gas derived from the strategy established by the Ministry of Energy

- *The strategy unduly conditions the non-discriminatory open access of the pipeline system operated by the National Center of Natural Gas Control (Cenagas, per its acronym in Spanish), artificially strengthens the position of the State-owned Productive Companies and displaces sellers.*
- *The foregoing would cause disruptions in the natural gas supply chain, which could result in price increases and a deterioration of the supply conditions of this important energy source.*
- *Cofece reaffirms its commitment to remain vigilant of public or private acts that could affect the conditions of competition to the detriment of the efficient functioning of the markets and to the detriment of consumer welfare.*

Mexico City, July 17, 2022.- The Federal Economic Competition Commission (Cofece) warns, through an opinion, risks to competition and free market access derived from the *Supply guarantee strategy for the optimization of capacity in the Integrated National Transport and Storage System of Natural Gas (Strategy)*, established by the Ministry of Energy (Sener, per its acronym in Spanish) in the official letter SENER.100/195/2022.

In said official letter, it is established that users or those interested in receiving the service of natural gas transport at the points of entry of the Integrated National Natural Transport and Storage System of Natural Gas (Sistrangas), must prove that they receive the supply from Petróleos Mexicanos (Pemex, per its acronym in Spanish), the Federal Electricity Commission (CFE, per its initials in Spanish), or their affiliates or subsidiaries; and that the provision of the services is ensured by contracting the transport capacity in pipelines with any of these State-owned companies.

In this regard, the Cenagas sent the official letter CENAGAS-UGTP/00434/2022 to the users of natural gas transport, in which it indicates that those who have a service contract will have the obligation of submitting documentary evidence that they meet the requirements established in the Strategy, no later than August 13, 2022.

It is worth indicating that the Cenagas is the entity responsible for the management, administration and operation, with independence of its users, of the Sistrangas infrastructure, as well as of guaranteeing its non-unduly -discriminatory open access.

If the Strategy is followed, the conditions of competition in the market of natural gas and in the market of electricity would be severely and irreparably affected considering that:

- It would prevent users (sellers and industrial users) who decide not to contract with the aforementioned State-owned companies, the access on equal conditions to the capacity of the Sistrangas, artificially benefiting Pemex and CFE. It is necessary to mention that this system's capacity is limited and constitutes an indispensable facility to compete in the market of natural gas, given that this system has the most important infrastructure for both the transport and import of natural gas.
- It would discourage the entry of potential sellers of natural gas and would nullify the capacity to compete for the current participants of this link. The foregoing, because the Strategy prevents contracting the most efficient provider and, instead, establishes a mandatory intermediation that substantially affects supply conditions.
- It would generate distortions for competitors of the Federal Electricity Commission in the market of the production of electric power, as those users that use natural gas to produce electricity and require the service of transport would be forced to acquire this facility through CFE, which in turn is their competitor. In this manner, CFE could have incentives to increase natural gas costs for its competitors.

All the foregoing could result in an increase in the prices of this fuel which would be transferred to the final consumers, as well as in the deterioration of supply conditions. Additionally, the energy security could be affected derived from the position that both CFE and Pemex would assume, instead of diversifying the supply sources. Due to all the foregoing, Cofece urges Sener, the Energy Regulatory Commission and the Cenagas not to implement the Supply guarantee strategy for the optimization of the capacity in Sistrangas and to enforce the principles of competition provided for in the legal framework in force.

Cofece reaffirms its commitment to remain vigilant of public or private acts that could affect the conditions of competition to the detriment of the efficient functioning of markets and to the detriment of consumer welfare.

[Read the full opinion \(in Spanish\)](#)

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MORE COMPETITION FOR A STRONGER MEXICO

The Mexican Federal Economic Competition Commission is responsible for ensuring competition and free market access. In this way, it contributes to the people's welfare and the efficient functioning of the markets. Through its work, it seeks better conditions for consumers, that more services are offered with higher quality and that there is "level playing field" for companies.