



Centro de Investigación  
Económica y Presupuestaria, A.C.

# Evolution, status and challenges of the Mexican fiscal framework towards an energy transition

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Agora Expert Workshop:  
*The Energy Transition in Mexico:  
Fundament for social inclusion and prosperity*  
8 April - Berlin Energy Transition Dialogue 2019

**Every public policy needs a budget.**

# Current Mexican fiscal environment

Fiscal Budget 2019

# Fiscal space

“Room in a government’s budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy.”

– Peter Heller (IMF, 2005).

$$\begin{aligned} & \text{(Public income) – (Unavoidable expenditure)} \\ & = \text{Fiscal space} \end{aligned}$$

## Public income

☼ Income tax:	7.0% GDP
☼ Oil revenue:	4.2%
☼ VAT:	4.0%
☼ Excise tax:	1.8%
☼ CFE:	1.7%
☼ IMSS:	1.4%
☼ Others:	1.1%
<b>☼ Total</b>	<b>21.1% GDP</b>

## Unavoidable expenditure

☼ Contribution to states:	6.7% GDP
☼ Social security institutions + Pemex + CFE	4.8%
☼ Pensions:	3.5%
☼ Debt:	3.1%
<b>☼ Total</b>	<b>18.1% GDP</b>

Note: 1% of Mexican GDP accounts for 11,600 million EUR.

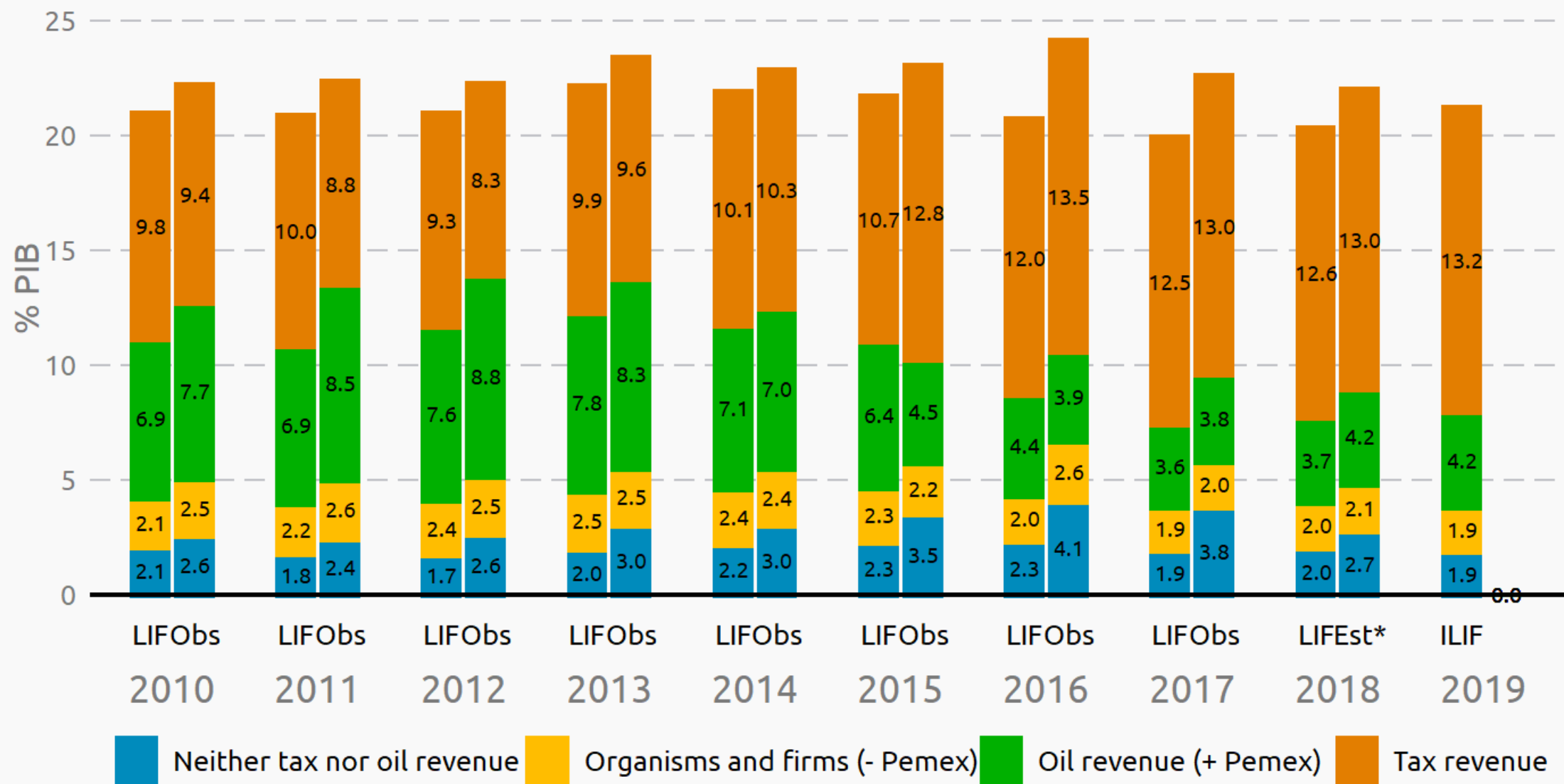
**(21,1%) – (18.1%)**

**= 3.1%**

**of GDP to implement public policy**

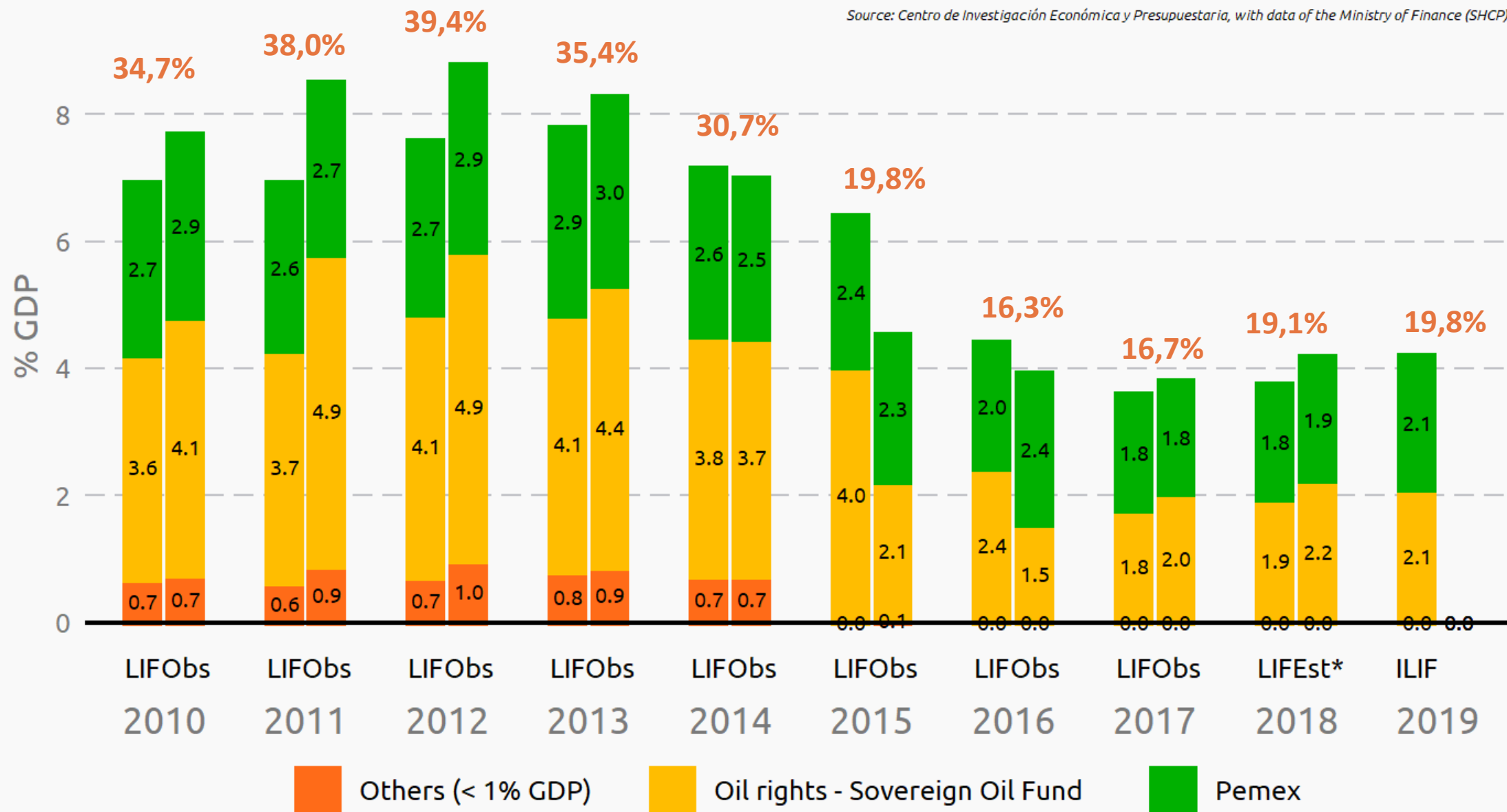
# Public income estimated vs collected

Source: Centro de Investigación Económica y Presupuestaria.



# Oil revenue

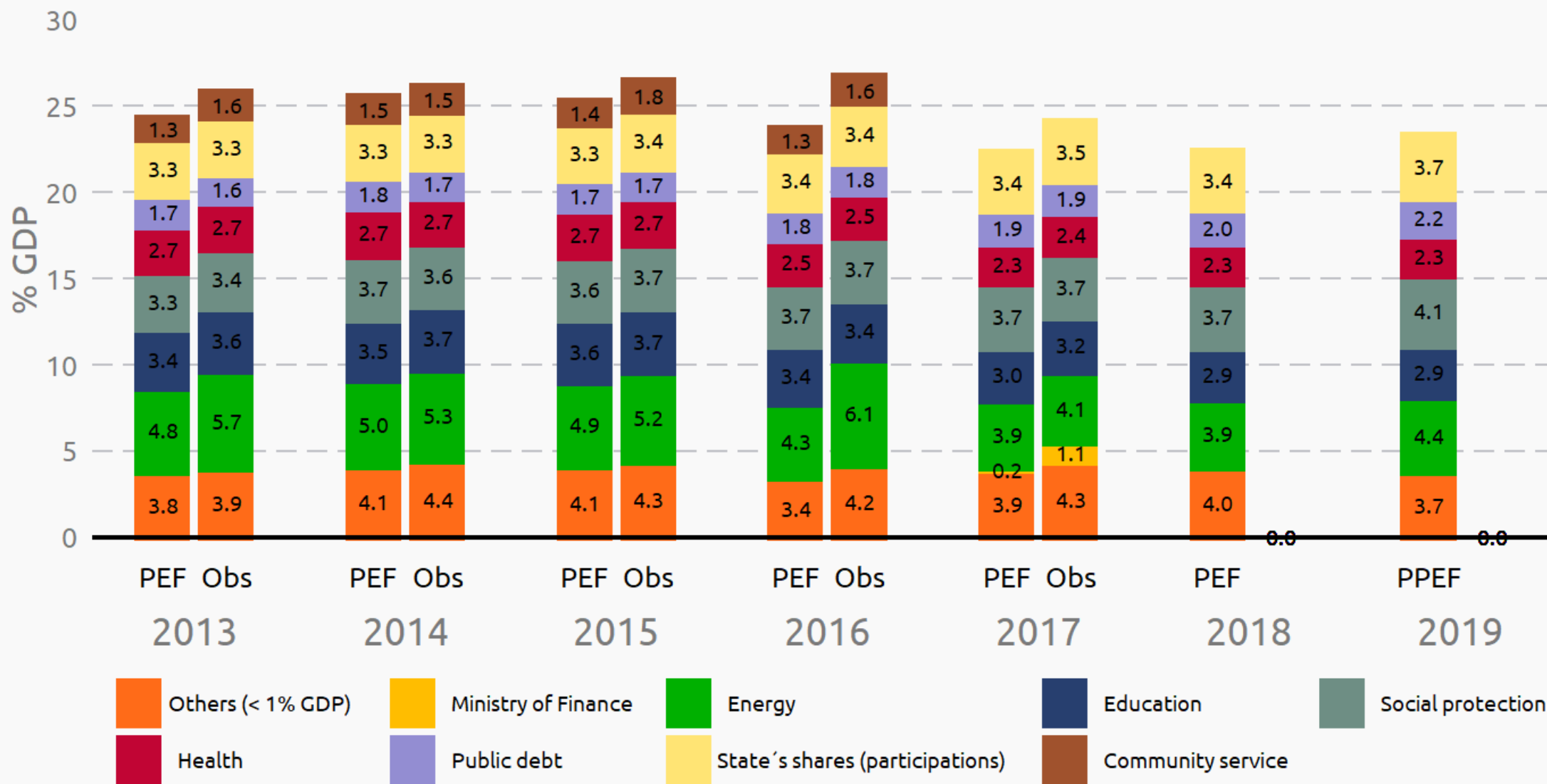
Source: Centro de Investigación Económica y Presupuestaria, with data of the Ministry of Finance (SHCP).





# Public budget estimated vs collected

Source: Centro de Investigación Económica y Presupuestaria, with data from the Ministry of Finance.



# Public debt

## Federal Government debt :

Internal financing (+1,9%) +  
energy firms deficit (-,24%) –  
social security firms surplus (+,16)

= **2,0% GDP**

Others\* = **,5% GDP**

## Public sector debt (RFSP 2019) :

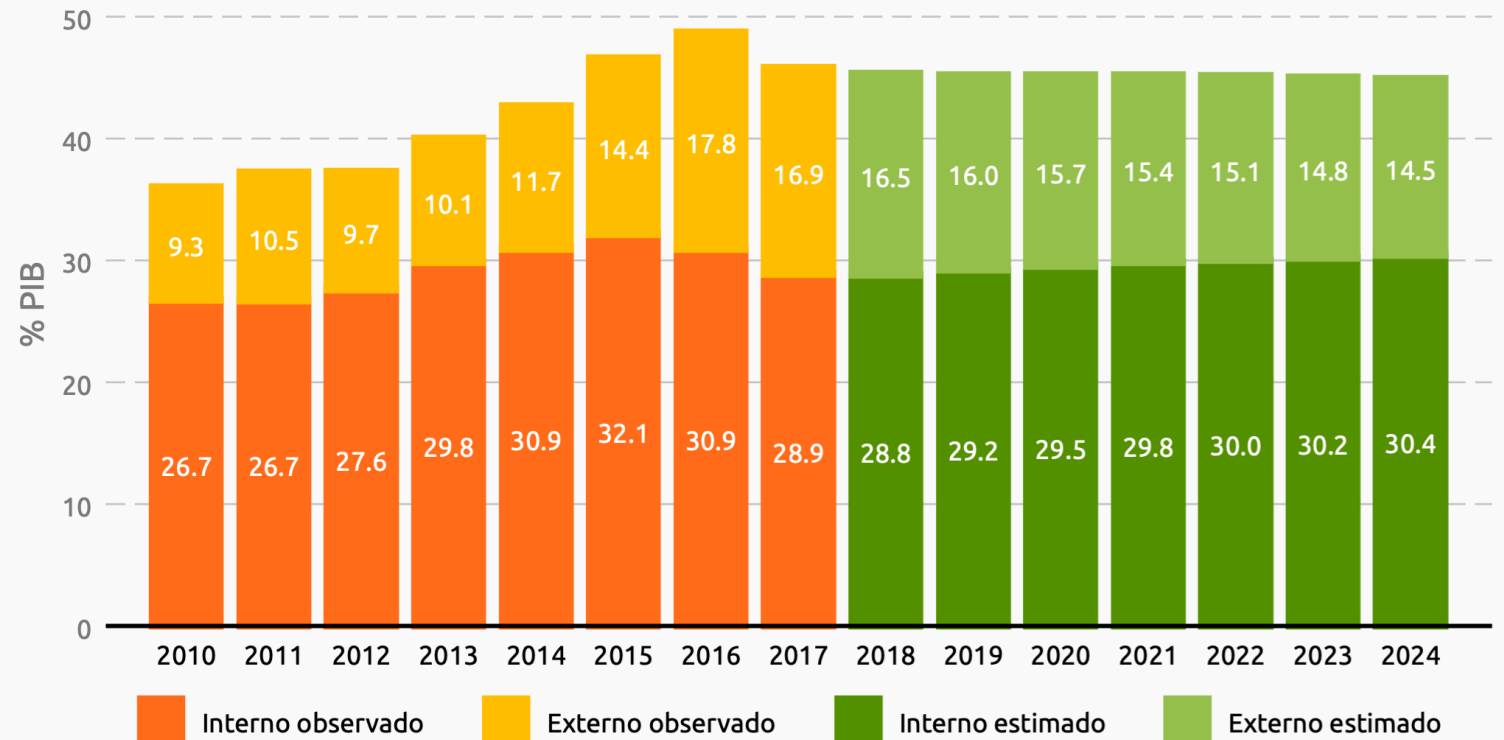
Federal Government debt +

others =

**2,5% GDP**

## Saldo histórico de RFSP observados y estimados

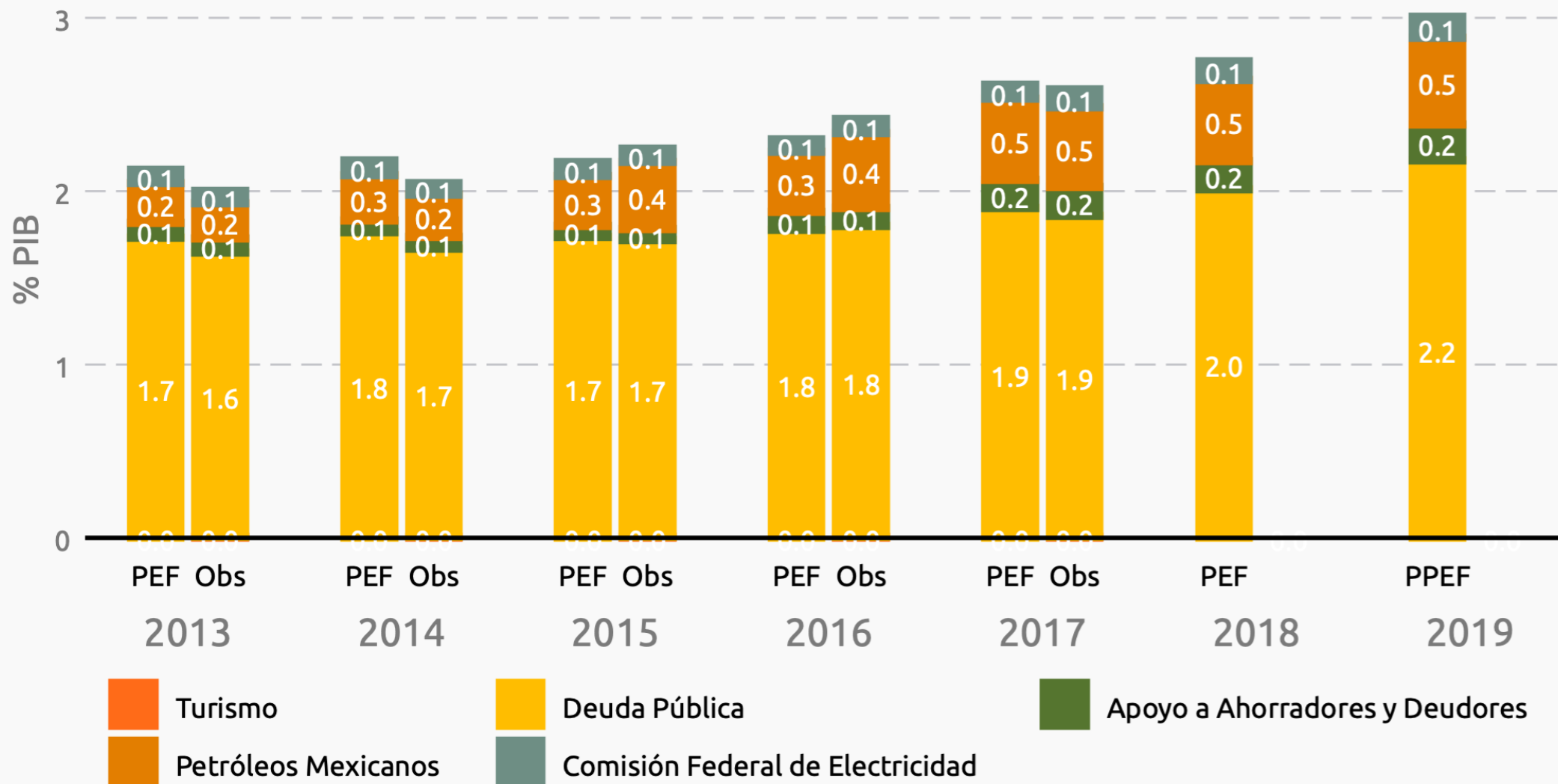
Fuente: Elaborado por el CIEP, con información de la SHCP (Datos Abiertos y Paquetes Económicos).



**Accumulated RFSP= 45,3%**

# Costo financiero de la deuda ejercido y aprobado

Fuente: Elaborado por el CIEP, con información de la SHCP (Datos Abiertos, Cuenta Pública y Paquetes Económicos).



# Public income and expenditure of the Mexican energy sector

Fiscal Budget 2019

# Public sector oil revenue: Oil tax & rights + Pemex own revenue

Public sector oil revenue can be recognized by Pemex and the Federal Government:

- **Oil rights:** tax and royalties on hydrocarbon public firms (of which Pemex contributes to 95.8%) and private firms (4,2%).

It is collected by the Ministry of Finance, and then distributed to the Public Budget.

- **Pemex own revenue:** Resources generated by Pemex, who keeps them for its own purposes.

## Key points on energy public income 2019

- ✿ **Pemex increase** their revenue by **10.4%**.
    - ✿ A) Reduce fiscal burden (**0,16%** GDP, per year, for six years)
    - ✿ B) Renegotiation of labor liabilities (**0,14%** GDP)
    - ✿ C) Extra funding by the Ministry of Energy (**,10%** GDP)
    - ✿ D) Savings derived from the fight against fuel theft (**,13%** GDP)
- } **,5% GDP**
- ✿ **Mexican Oil Sovereign Fund:** 95.6% of its resources are not earmarked and thus, finance the Public Budget. The rest goes to Stabilization Funds.
  - ✿ Fuel excise tax from initial 1.1% GDP calculated, to 0.8%, due to fiscal incentives.

## Projections on mid-term oil revenues (% of GDP)

	2019	2020	2021	2022	2023	2024
Pemex	2,1	1,9	1,8	1,9	1,9	1,9
FMP	2,1	1,9	1,7	1,9	1,9	1,9
Total oil revenue	<b>4,2</b>	3,8	3,5	3,8	3,8	<b>3,8</b>

## Key points on the evolution of public energy expenditures 2019

### ☀ Pemex

- ☀ National Refining Plan (new oil refinery + maintenance of National Refining System)
- ☀ National Hydrocarbon Production Plan (from 1,700 mbd to 2,400 mbd)
- ☀ Pemex increases expenditure on **hydrocarbon infrastructure** by **42.8%**, vs 2018.
  - ☀ It represents 44% of its budget, vs 35% in the previous year.

### ☀ CFE

- ☀ National Power Plan
  - ☀ Maintenance of infrastructure increases + 200%.
  - ☀ Transmission and distribution decreases - 21%
  - ☀ Generation of electricity diminishes by - 5%



# Key points on the evolution of public energy expenditures 2019

## ☀ Ministry of Energy (SENER)

- ☀ 92% of its budget allocated to the hydrocarbon department

## ☀ Energy and Hydrocarbon Regulatory Commissions (CRE & CNH)

- ☀ Budget decreased by 31%

## ☀ Others

- ☀ National Commission of Energy Efficiency -19%
- ☀ National Institute of Clean Energy -9%
- ☀ National Institute of Nuclear Research -5%
- ☀ Electricity department (SENER) -17%
- ☀ Energy Transition Planning department (SENER) -18%

# Conclusion & closing remarks

- ✿ The new budget for 2019 reinforces investments in PEMEX with a focus on short term production and refining activities.
- ✿ Focus in power sector is refurbishment of existing generation assets, rather than grid extension.
- ✿ **Mexico's public budget does not allow to finance the investments that Mexico needs in the Oil & Gas nor in the Energy Sector.**
- ✿ Given the tighten fiscal space, **shouldn't we be taking advantage of the legal & regulatory scheme that allows for private investment?**



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**Thank you for you attention!**

**Vielen Dank für Ihre  
Aufmerksamkeit!**

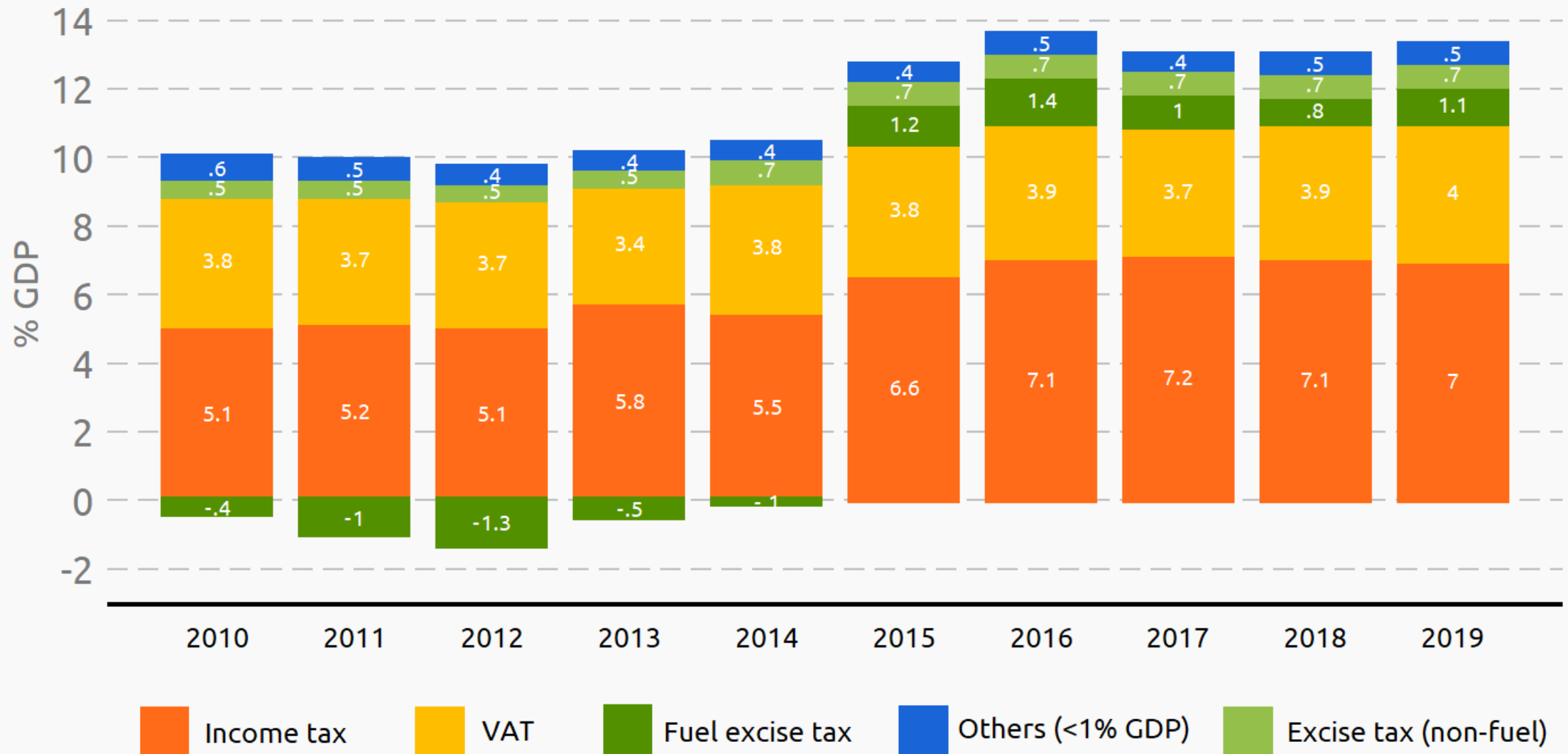
**¡Muchas gracias por su atención!**



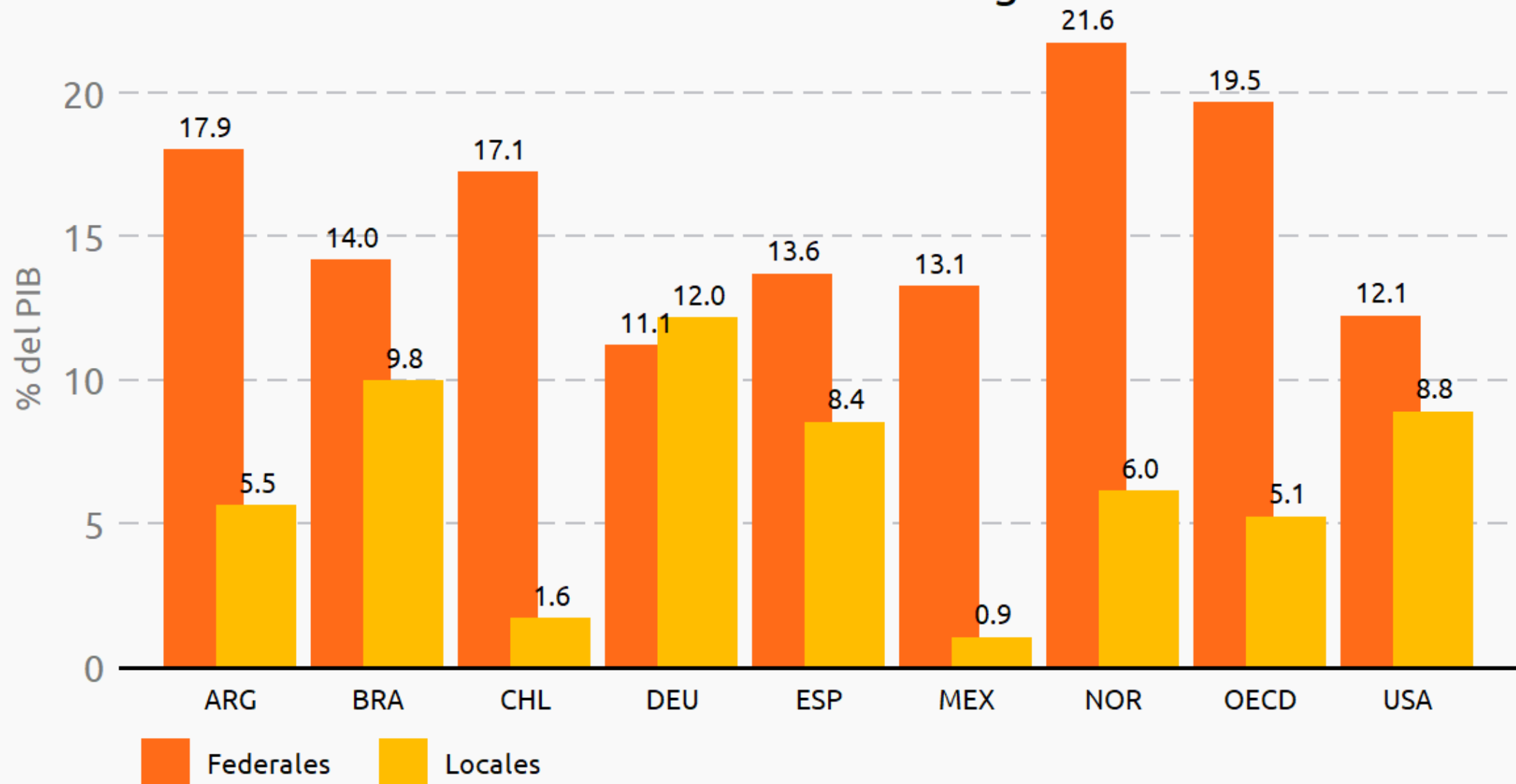
Annex

# Tax revenue collected (%GDP)

Sources: Centro de Investigación Económica y Presupuestaria (CIEP), 2019.



# Ingresos Tributarios 2017



Fuente: Elaborado por el CIEP con información de la OCDE