

**Fin de subsidios generalizados al
gas LP en México
ARIAE
mayo 2018**



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CRE**

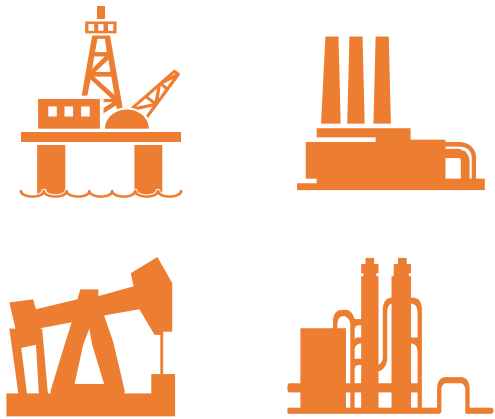
LPG Supply Chain

UPSTREAM

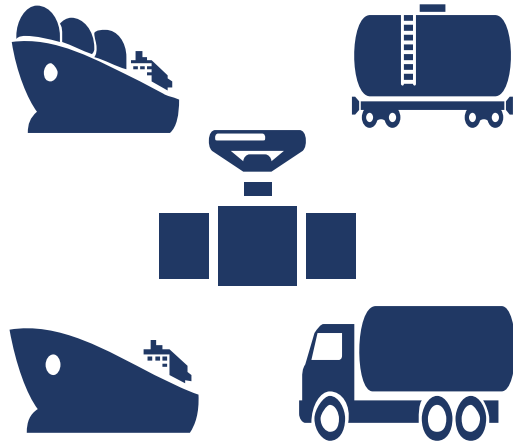
TRANSPORTATION

MIDSTREAM

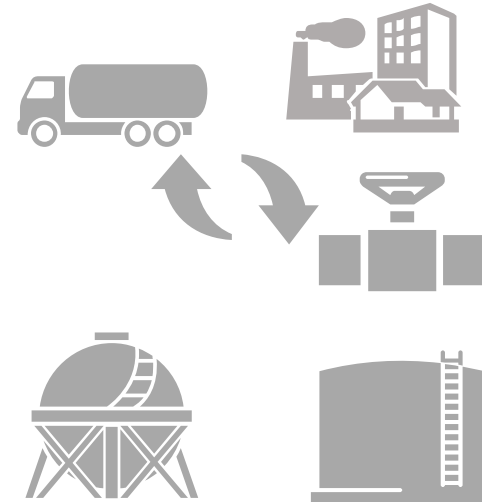
DOWNSTREAM



Production and Refining



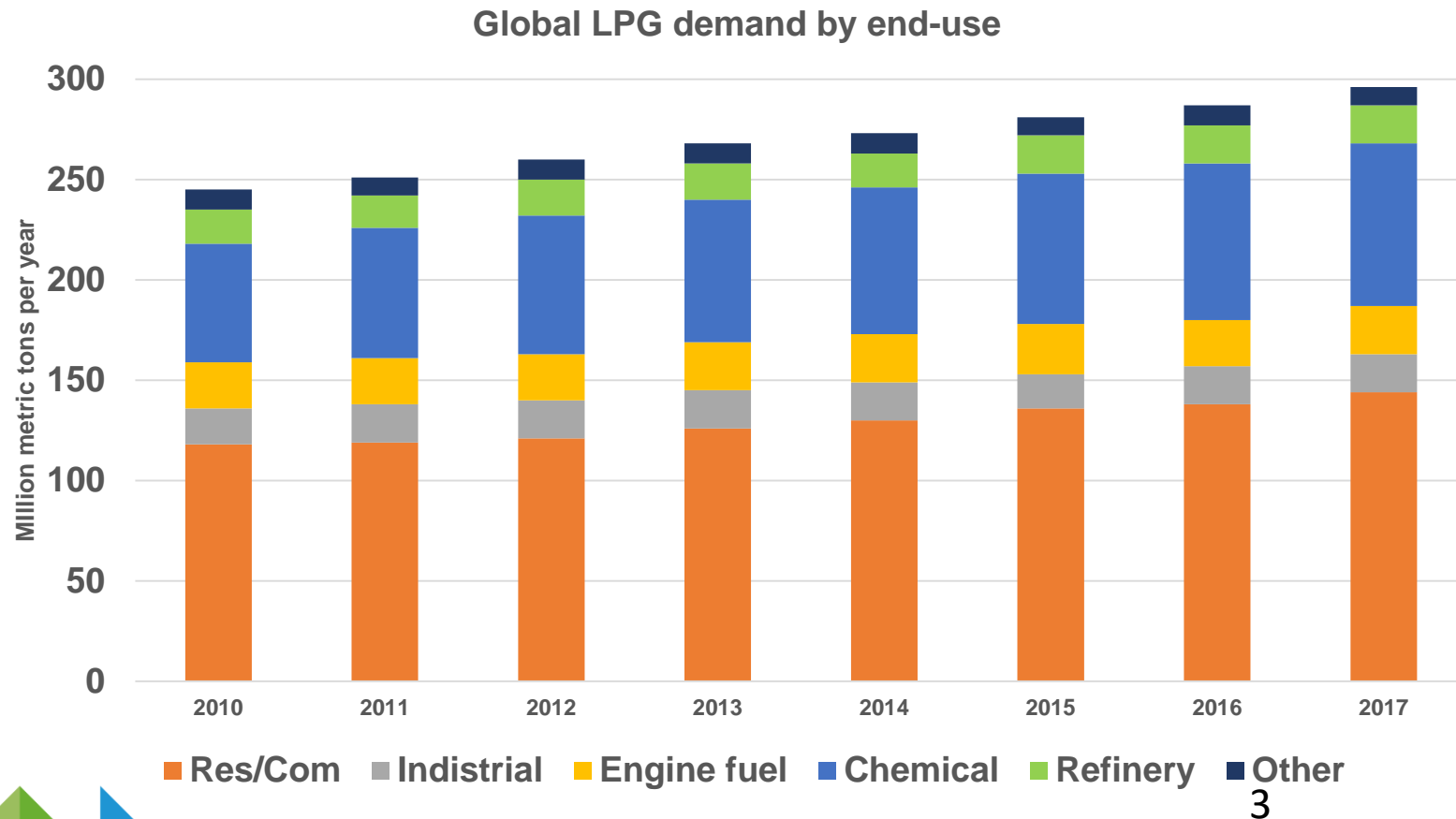
Wholesale Market



Distribution, and end users






LPG Final Consumption by Sector

Residential sector is the largest component of the global demand. Additionally, chemical industry is getting more relevant.



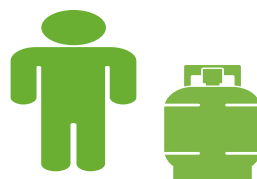
Substitution Program in Mexico

76% of Mexican households use LPG as the main fuel for cooking, followed by firewood with 14.3% of households.

Fuel	2014	2016
	74.6%	75.7%
	15.0%	14.3%
	8%	8%
	0.73%	1.05%
	0.4%	0.3%
Other	0.54	0.65

Source: Encuesta Nacional de Ingresos Gastos de los Hogares (ENIGH), 2014 and 2016.

The objective is to increase alternatives for low-income end-users:



Distributors subsidize the basic equipment (cylinder and small oven) to the households.



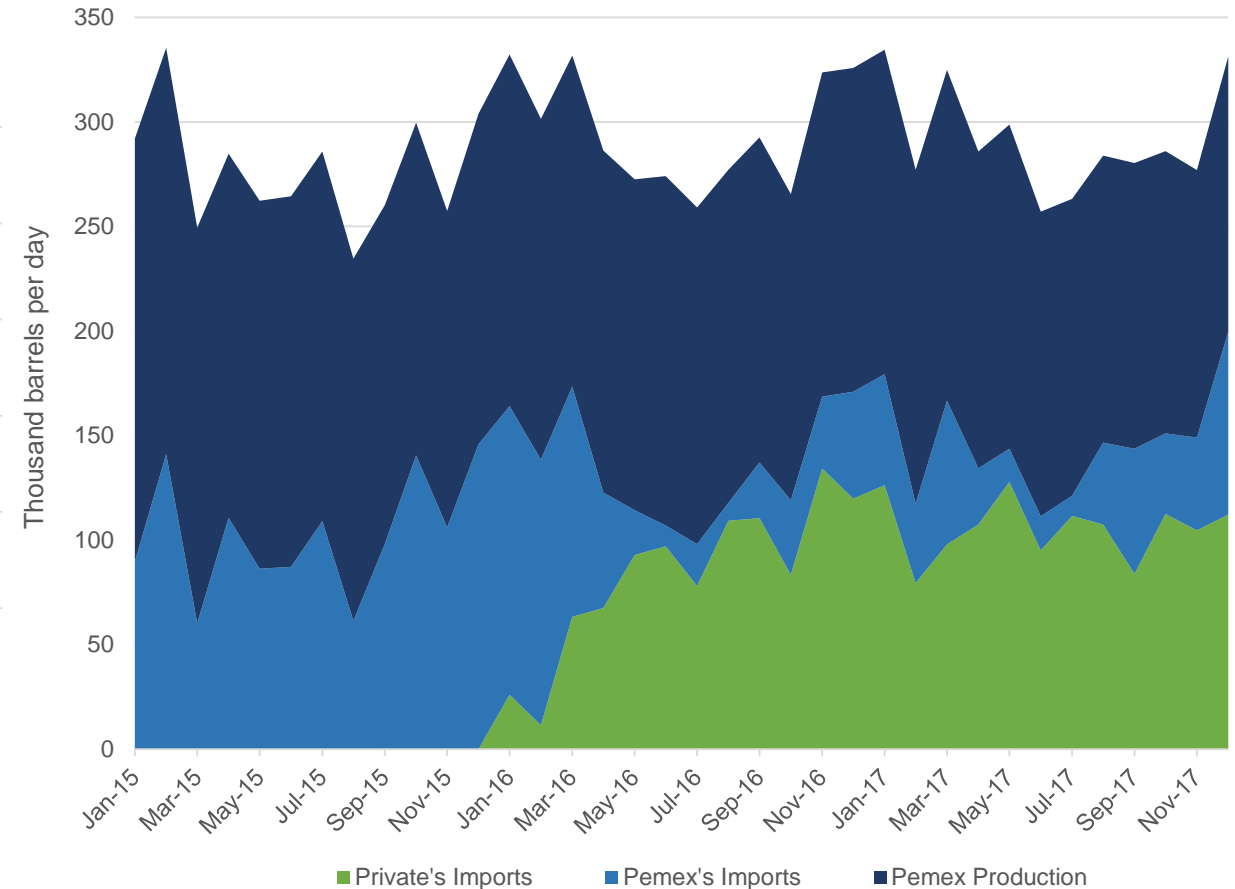
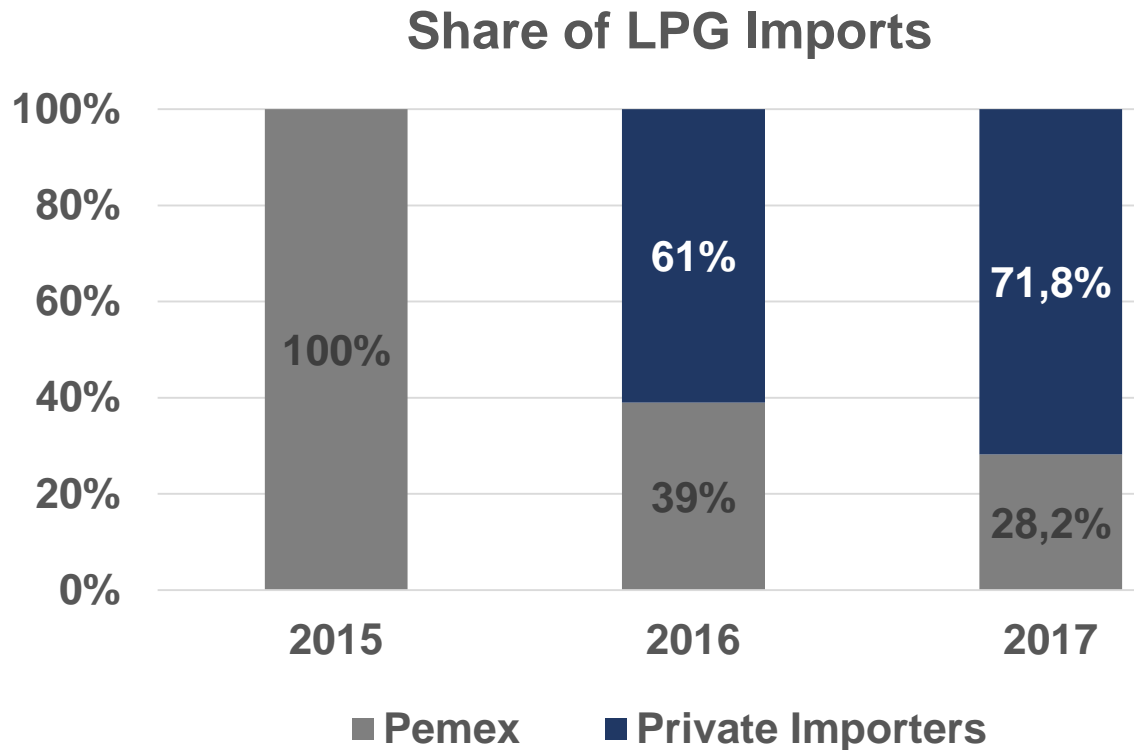
SEDESOL selects the households to receive the equipment.



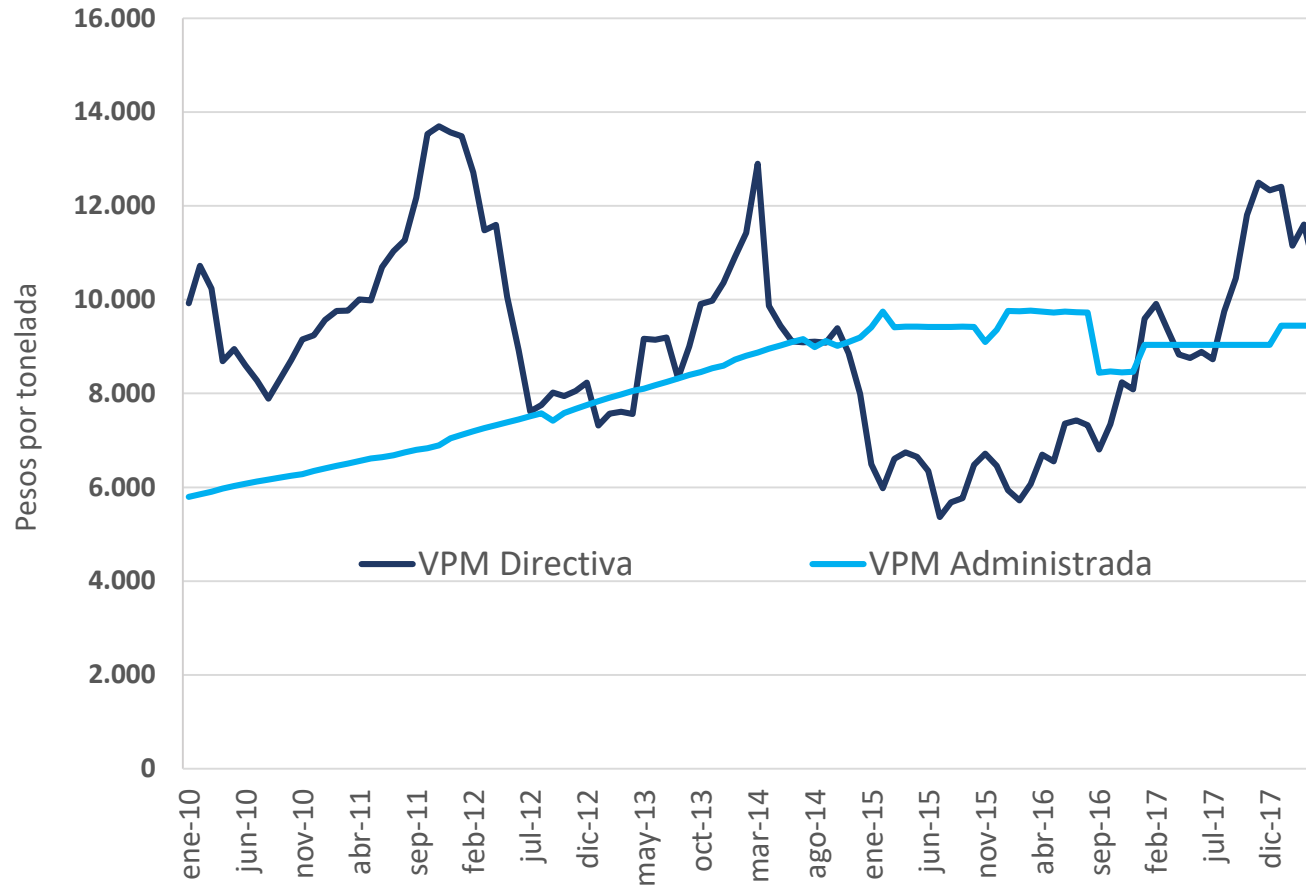
Multi-institutional cooperation to develop a program which promotes the establishment of, as many LPG retail selling points as possible, in low income and rural communities.

The case of Mexico

Since January 2016, there is an open LPG market for private imports which has increased the private market share. However, Pemex still has over 60% of the total market supply.



Precios libres desde 2017



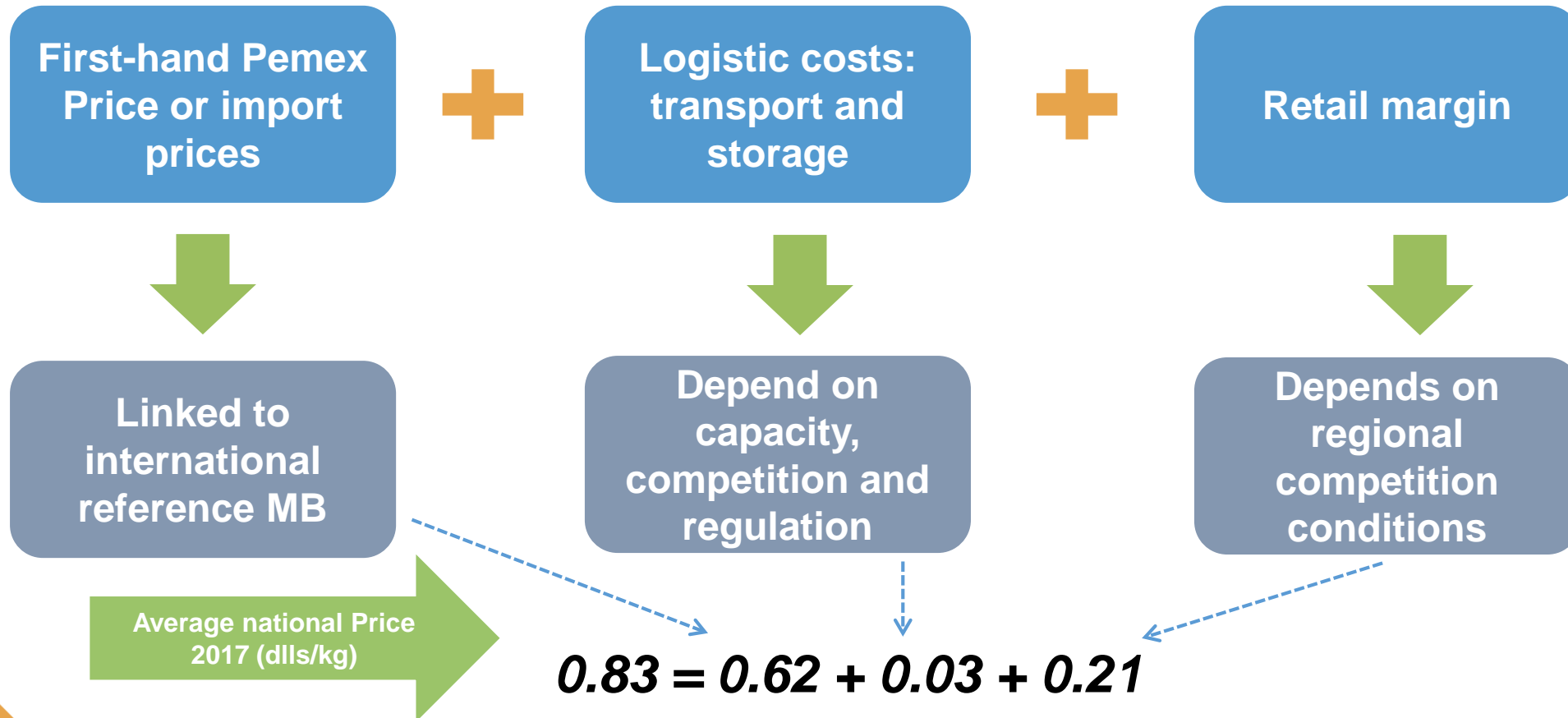
El precio administrado se actualizó con la inflación anual, para 2017 se tomó la inflación de diciembre de 6.77% y para 2018 la de abril que fue de 4.55%. El precio de VPM de directiva se obtiene con la formula señalada en la DIR-001-GLP-2008



Precio libre vs precio subsidiado	
2001-2016	7,500 billion dollar
2017-2018	820 billion dollar

The case of Mexico

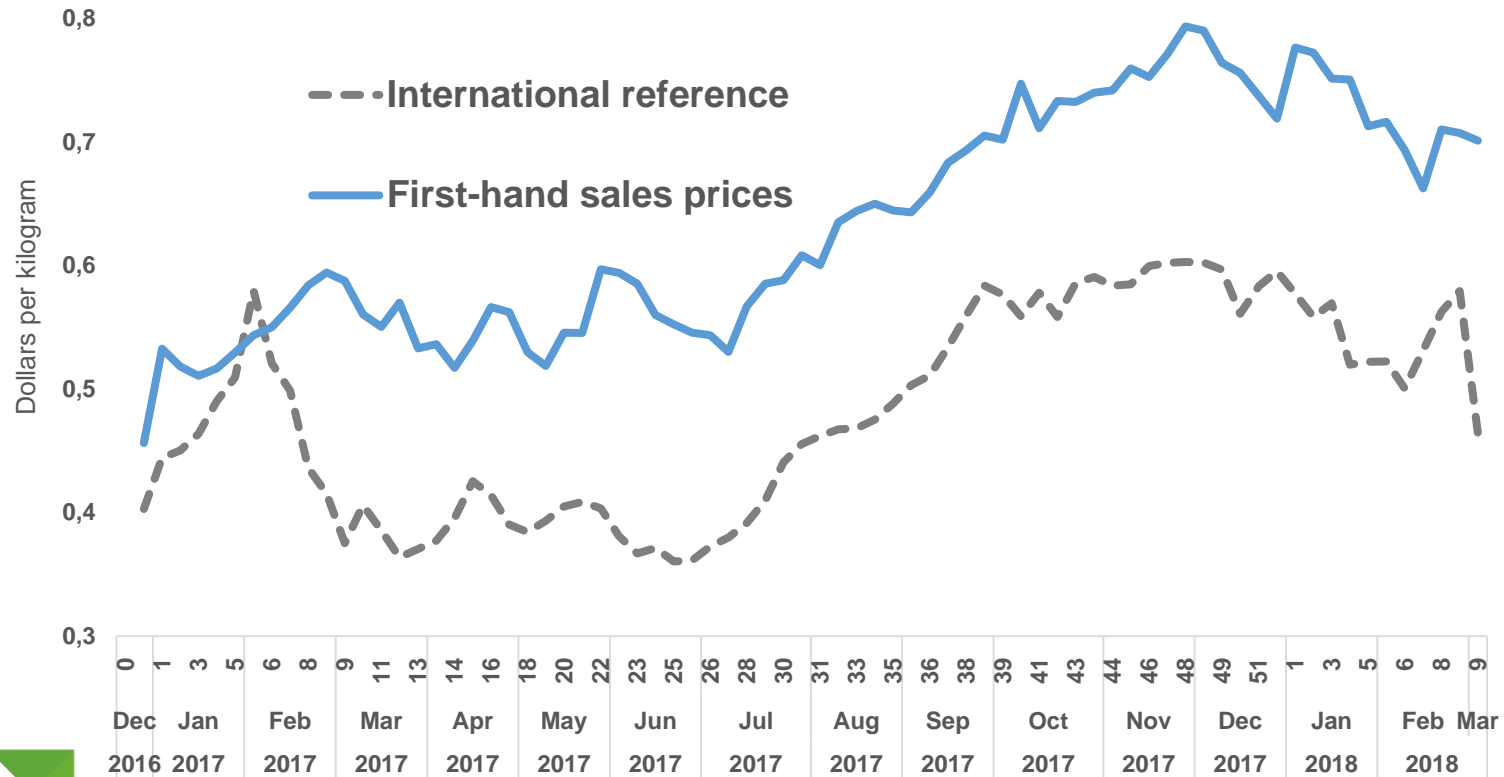
Final consumer prices were liberalized in January 2017, and Pemex first-hand prices are regulated according to market conditions (Parity Pricing Rule):



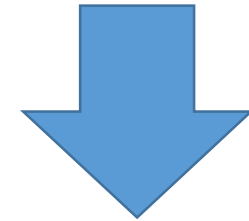
Retail price (100%) = first-hand price (72%) + logistics (3%) + margin (25%)

The case of Mexico

Since January 2016, Pemex's regulated maximum first-hand sales prices behave according to the international reference (Mont Belvieu) and market movements.



In 2017, there were some events that affected the prices tendency compared to the previous years:



- 1) USA expanded its export capacity by 53%.
- 2) Asian demand has increased enough to significantly diminish American inventories.

The image features a white background with decorative geometric patterns in the corners. These patterns consist of various colored triangles (blue, green, orange, and light blue) arranged in a stepped, triangular fashion. The word "GRACIAS!" is centered in the middle of the page in a bold, black, sans-serif font.

GRACIAS!