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12-8-1993

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## Recommended Citation

Navarro, Carlos. "Pemex Seeks Foreign Investors For Distribution Sites; Japanese Consortium Hired To Build New Oaxaca Refinery." (1993). <https://digitalrepository.unm.edu/sourcemex/3044>

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## **Pemex Seeks Foreign Investors For Distribution Sites; Japanese Consortium Hired To Build New Oaxaca Refinery**

*by Carlos Navarro*

*Category/Department: General*

*Published: Wednesday, December 8, 1993*

The state-run oil company PEMEX has started to seek foreign investors to help build up infrastructure. Recent changes to Mexico's foreign investment law, proposed by President Carlos Salinas de Gortari, will open opportunities for foreign companies to bid for such functions as drilling of oil and gas wells and construction of pipelines. In fact, in late November, PEMEX announced plans to seek bids from private domestic or foreign companies to construct distribution and storage centers in the cities of Aguascalientes, Zacatecas, Mexicali, and Reynosa. Total construction costs for the four facilities is estimated at about 175 million nuevo pesos (US\$52.75 million). The PEMEX administrative council, which announced the decision following a monthly meeting on Nov. 26, said construction of the plants will have to meet the basic engineering guidelines prescribed by the company's refining subsidiary, PEMEX-Refinacion. Once the distribution and storage facilities are completed, PEMEX will hire private companies to perform maintenance duties and to transport fuel from the centers to service stations. Management and marketing decisions regarding the facilities will remain in the hands of PEMEX-Refinacion. During the Nov. 26 meeting, PEMEX president Francisco Rojas said the plan will accomplish two objectives: to continue the upgrade of PEMEX facilities and to reduce the level of expenditures PEMEX must make in order to continue forward with its investment program. Until now, PEMEX has been fully and directly in charge of all facets of operation, from construction to storage and distribution. Separately, a Japanese consortium has agreed in principle to participate in the construction of a refinery in the Pacific coast city of Salina Cruz, Oaxaca state. The refinery will be designed to process heavy crude (Maya) exclusively. By concentrating the refining of Maya grade fuel at one location, other PEMEX facilities will be freed up to handle greater quantities of light (Istmo) and extra-light (Olmeca) crude. The Japanese consortium consisting of Mitsubishi Corp., Mitsui & Co., and Itochu Corp. was due to sign a formal agreement with PEMEX on Dec. 19. Japan's Export-Import Bank will help finance the project, which has a total estimated cost of between US\$1.4 billion and US\$1.6 billion. Expenditures for construction of the refinery are expected to represent about 40% of Pemex's total investment program for 1994. The Japanese consortium will build the facility through a "turnkey" contract. In other words, the Japanese consortium will provide the initial construction capital and transfer the complex to PEMEX-Refinacion once construction is complete. PEMEX will repay the Japanese investors from revenues obtained from sales of refined products produced at the plant. The plant is designed to make up for some of the refinery capacity lost when the Azcapotzalco refinery was closed in 1991 (see SourceMex, 03/20/91). [Sources: El Financiero, 11/30/93; Agence France-Presse, 12/01/93; La Jornada, 11/26/93, 11/27/93, 12/02/93; El Financiero International, 12/06/93]

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