

Congress of the United States
Washington, DC 20515

July 20, 2021

President Joseph R. Biden Jr.
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear President Biden,

We write to draw your attention to an issue that undermines the spirit and letter of the United States-Mexico-Canada Agreement (USMCA) and affects the livelihoods of our fellow Americans working in the energy sector. As you may be aware, the Government of Mexico recently enacted legislation cementing its protectionist energy policies and severely limiting U.S. companies' access to the hydrocarbon and renewable energy markets. We were pleased to see Ambassador Katherine Tai raise this with her counterpart last month and believe this recent escalation requires your immediate and sustained attention and a timely solution.

As you know, North American energy markets have become increasingly intertwined over the previous several decades, a relationship that has been further strengthened by the USMCA. Since Mexico's 2013 constitutional reforms allowed for private participation in the Mexican energy sector, we have seen U.S. companies invest billions of dollars into energy infrastructure in the country, a positive for manufacturers, workers, the environment, and North American energy security.

In a previous letter to the Trump Administration, we highlighted concerns with President Lopez Obrador's preferential regulatory treatment of Mexico's national energy companies, Petróleos Mexicanos (PEMEX) and the Comisión Federal de Electricidad (CFE), and delaying or cancelling permits for U.S. energy companies. These challenges remain a serious problem.

On February 1, 2021, President Lopez Obrador introduced legislation to reform the Power Industry Law which quickly passed the Mexican legislature. This reform gives dispatch preference to CFE's less efficient and more polluting power generating plants. It also removes competition in the country's energy sector negatively impacting U.S. investments, will increase costs for Mexican consumers and manufacturers, and is estimated to significantly raise CO₂ (20%) and SO₂ (150%) emissions. The increase in energy costs in Mexico will impact regional value chains, reducing North American competitiveness at a time when the U.S. Government and American companies are focusing all their efforts on our economic recovery.

President Lopez Obrador also shepherded an equally concerning piece of legislation through Congress in March of this year, the Hydrocarbon Law Reform. This measure gives the Mexican government the right to exercise discretionary control over the distribution, storage, import, and export of fuels and oil and the ability to suspend or revoke permits across the fuels value chain to unduly favor PEMEX. The Mexican Congress of the Union also passed new legislation eliminating PEMEX's asymmetric regulation, which forced PEMEX to publish its retail prices

while the private sector gained at least 30 percent market share. This temporary regulation was critical to facilitate the transition from a monopoly to an open fuels market.

Mexico is the largest export market for U.S. petroleum products and a growing market for natural gas. The potential for energy integration in the power markets is significant. The USMCA is intended to give investors certainty and foster a mutually beneficial trade and investment environment in North America. However, the Lopez Obrador Administration's recent changes to regulations and legislation lay out an unlevelled playing field for private investors vis-à-vis Mexico's state-owned enterprises, PEMEX and CFE, and therefore, create great uncertainty for U.S. energy companies with existing investments and for those seeking to invest in Mexico, as they potentially leave operating assets stranded, and threaten the viability of long-term investment.

We ask that you address these violations when engaging in diplomatic discussions with President Lopez Obrador. This is necessary not only to establish a level playing field for U.S. companies operating in Mexico, but also to allow for competition in the energy market that will protect American jobs and ultimately drive down consumer cost and greenhouse gas emissions.

We appreciate your consideration of this request.

Sincerely,



John Cornyn
United States Senator



James M. Inhofe
United States Senator




Ted Cruz
United States Senator



Vicente Gonzalez
Member of Congress



W. Gregory Steube
Member of Congress



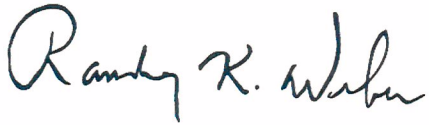
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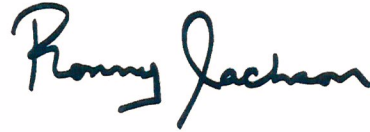
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Marc Veasey
Member of Congress

cc: The Honorable Antony Blinken, Secretary of State
The Honorable Gina Raimondo, Secretary of Commerce
The Honorable Jennifer Granholm, Secretary of Energy
Ambassador Katherine Tai, United States Trade Representative