

GLOBAL MEXICO

WHAT ABOUT FRACKING POLICIES IN MEXICO?



On March, almost half a year after the official regulations on the matter were repealed, Secretary of Environment and Natural Resources Juan Jose Guerra Abud published an “*Environmental Criteria Guide to Regulate Fracking¹ in Mexico*”. Following that path, earlier in April, the Environmental and Energetic Security Agency² (ASEA, for its acronym in Spanish), announced that for 2016 a regulatory framework for the hydraulic fracturing

technique would be issued. The planning regulation constitutes a positive step to set the ground for exploration and production of shale fuels in the country and will give legal certainty on the Mexican standards to national and international actors involved in the energetic industry.

The main inputs of these new regulations are Peña Nieto’s Energetic Reform, recently applauded by President Obama, and the federal rules issued

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“Fracking is one of the activities that the Energy Reform aims to revolutionize in order to consolidate North America as a powerful global energetic bloc”

1. Put simply, fracking describes the recovery of natural gas from deep layers inside the earth. In this method, porous rock is fractured by the use of water, sand and chemicals in order to release the enclosed natural gas.

2. ASEA is an administrative body of the Secretary of Environment and Natural Resources (SEMARNAT), responsible for regulating and supervising industrial safety, operational safety and environmental protection in the hydrocarbon sector activities.

WHAT EXACTLY IS HYDRAULIC FRACTURING?

Since the industrial revolution our energy consumption has risen unceasingly. The majority of this energy consumption is supplied by fossil fuels like coal or natural gas. Traditional production involves drilling a vertical pipe, which, due to underground pressure, rise oil and gas to the surface. Nevertheless, sometimes there is literally a pool of oil trapped in a space between sedimentary layers of rock. There is when fracking enters as a way to make the soil permeable.

First, a shaft is drilled several hundred meters into the earth. From there, a horizontal hole is drilled into the gas-bearing layer of rock. Next, the fracking fluid (water, around 700 chemical agents and sand) is pumped into the ground using high-performance pumps. The mixture penetrates into the rock layer and produces innumerable tiny cracks.

Next, the majority of the fracking fluid is pumped out again. And now the natural gas can be recovered. As soon as the gas source is exhausted, the drill hole is sealed. As a rule, the fracking fluid is pumped back into deep underground layers and sealed in there.

by the Obama administration on the matter. The latter was unveiled on March 20 and became the first major federal regulation on hydraulic fracturing, a technique for oil and gas drilling that has led to a significant increase in American energy production, but has also raised concerns about health and safety risks.

Fracking has been known since the 1940s, nonetheless; only in the last ten years has there been a “fracking boom” that puts the U.S. on track to soon become the world’s largest oil and gas producer. Despite the current, and hopefully temporary decrease on global oil prices, more complicated and expensive methods, like fracking, have now become attractive and profitable to all oil and gas producers. Despite the fact that natural gas is less pollutant than coal when burned, environmentalists fear that the technique, which involves injecting a cocktail of chemicals deep underground to break up the rocks around oil and gas deposits, could contaminate surrounding water supplies and wildlife.

This dichotomy is the main reason why fracking needs to be regulated. When properly employed, the technique offers one way in the short or medium term for meeting the global demand for lower-cost high-quality energy. Nevertheless, the long-term consequences of fracking are still unforeseeable hence, the Mexican legal preparation must not be underestimated neither by entrepreneurs, that will invest given the opening of the sector, nor the environmentalists.

The Mexican Secretary of Environment’s guidelines are currently working as the provisional legal framework until the ASEA’s regulations for 2016 are issued; both are pretending to enable shale fuels projects to start in Mexico as soon as possible. According to them, around 2 to 7 million gallons of water could be used during the drilling of a single site and fracking projects would not be allowed in areas where water is scarce (Cervantes, 2015). The Ministry’s document recognizes that fracking, if not abide to environmental norms, can lead to competition for the availability of water and pollute the land and water resources (Pianagua, 2015).

Organizations concerned with the negative impacts of fracking in the environment such as Alianza Contra el Fracking (Alliance Against Fracking) have warned that the Ministry’s guidelines are non-binding and only used among the authorities. Nevertheless, they fill up the legal void left by the former official normativity before the definite regulation on fracking is issued.

“When properly employed, the technique offers one way for meeting the global demand for lower-cost high-quality energy”

Considering the U.S. regulations, that will be taking effect in 90 days after the federal law was issued on March 20 and will serve as a precedent for Mexico, government workers are allowed to inspect and validate the safety of the concrete barriers that surround fracking wells. Also, companies will be forced to submit detailed and public information about well geology and the chemicals used. Furthermore, Obama’s administration will probably issue rules designed to mitigate the release of methane, a greenhouse effect gas. As this extraction technique’s cost is high, the Mexican state company Pemex’s participation in such kind of projects is currently unlikely. Therefore the participation of private investment is necessary to exploit Mexico’s shale resources. Fracking is one of the activities that the Energy Reform aims to revolutionize in order to promote in Mexico a competitive industry to meet the international demand for natural gas and consolidate North America as a powerful global energetic bloc. In order to do so, Mexico, the U.S. and Canada need to minimize ecologic risks and guarantee that the legal framework, which is currently gestating, is right in the short and long term. Attention must be paid to any development that follows the enforcement of the U.S. and Mexican federal framework on the matter.



► MIDDLE POWERS, REVOLVING DOORS AND THE 7TH SUMMIT OF THE AMERICAS' AFTERMATH



The 7th Summit of the Americas (SOA), a meeting held every three years, was held in Panama City, Panama, on April 10-12. This seventh edition was historic as it was the first time that Cuba attended a hemispheric forum where the United States was also present. The summit, named "Prosperity with Equity: The Challenge of Cooperation in the Americas" dealt with controversial topics on the hemisphere. Among those, the recent rapprochement between the Castro regime and the Obama administration, evoking reflections on the role of Mexico in the hemisphere.

Mexico showed a special interest in promoting a trilateral negotiation. This unique initiative comes as the Mexican's commitment of having a global responsibility, a policy that Enrique Peña Nieto's administration has boosted. Middle powers like Mexico are a type of country with the capacity and willingness to take an active diplomacy to influence the international system. The middle powers develop a responsible diplomacy based on non-structural forms of influence

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and are associated with the efficient use of its capabilities, including a professional foreign policy, good international reputation, well-known promoters of pacifism and multilateral activism, and specialization in specific topics such as climate change, organized crime, migration, disarmament and human rights.

Cuba however, could represent what is called a 'revolving door'. A country of this type is one that can have a crucial role in the stability of the international economic and political order. Revolving doors is not a titleholder after the country's status and diplomatic skills, but rather after its external vulnerability and its fragile internal political balance. Cuba fits perfectly into the category of given its influence in the hemisphere, a capability that Mexico has always acknowledged in regional negotiations.

The trilateral dialogue Mexico envisages, redeems the country's historical stand regarding the island and redeems the Mexican role as a regional power with empathy to its two

In Panama City, Raul Castro referred to Obama as an honest man, while the U.S. president reaffirmed having a desire for change. Nevertheless, huge differences between the political-economic models of both countries persist over diplomatic declarations. A long and harsh road towards the complete normalization of relations awaits, which means that any catalyst, specially one with the prestige and specialization as Mexico, can be very helpful. Regarding the Summit's host country, Panama is in the process of signing a free trade agreement with Mexico and former admission to the Pacific Alliance³, an ambitious trade bloc with features of further integration in which Panama currently remains as observer. Mexican delegations of businessmen and diplomats met in parallel to the summit address the topic. In the words of Ambassador of Panama

“Revolving doors have a crucial role in the stability of the international system”

in Mexico Manuel Ricardo Perez, “the Alliance is a key agreement because Mexico is a major industrial country, and Panama is the largest distribution center in Latin America”. Moreover, President Enrique Peña Nieto shared to all participants the reforms that the administration is implementing in order to promote a prosperous society and attractive opportunities in the hemisphere. In the aftermath, eventhough the Summit did not obtain consensus for a final statement, it managed to give a breath of fresh air to the hemispheric dialogue, the unique and ideal space for regional cooperation. The attendance of the 35 Member States⁴ ensured the future dialogue continuity, an issue that several countries questioned during the previous SOA in Cartagena due to the exclusion of Cuba. U.S. tried to redeem it place in the region, a geostrategically important

aim given the Chinese and Russian increasable presence in the neighborhood. However, as the Mexican politician Germán Martínez Cazares analyzes, although the Cuban president joked that it was about time for him to speak openly on behalf of Cuba in a SOA; the hemisphere needs to ask him when are the Cuban people going to have the opportunity to talk about their government openly. The Castro regime called itself



3. The Pacific Alliance has four member states: Chile, Colombia, Mexico, and Peru.

4. Michelle Bachelet, president of Chile, could not attend given the natural disaster afflicting her country but high-level representation was present.



“When is Cuba joining the instruments for the protection of human rights of the inter-American system?”

excluded from the hemispheric dialogue, but when is Cuba joining the instruments for the protection of human rights of the inter-American system?⁵

Finally, the summit made clear that it is time for the OAS, the world's oldest regional organization, to evolve according to the changes taking place in the civil and political societies of America. This definitely represents the main challenge of the newly elected Secretary General Luis Almagro. The four pillars of the organization since its inception are democracy, human rights, multidimensional security and integral development; pillars that must be promoted by the Member States for the photo of the Summit of Heads of State every four years and more firecefully on their countries' daily system of governance.

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