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[TRANSLATION FOR REFERENCE PURPOSES ONLY]

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[*Excerpt from the Bill of amendments sent by President Andres Manuel López Obrador to the Chamber of Representatives on September 30, 2021.*²]

(...)

DECREE AMENDING ARTICLES 25, 27 AND 28 OF THE POLITICAL CONSTITUTION OF THE UNITED MEXICAN STATES IN MATTERS OF ENERGY:

Sole Article.- Paragraphs fifth of article 25, sixth and seventh of article 27 and fourth of article 28 are **AMENDED**; a new paragraph seventh to article 25, a new seventh paragraph to article 27; two new paragraphs, sixth and seventh to article 28 thereby moving the following paragraphs in the same order, are **ADDED**, and the current eight paragraph of article 28 is **REPEALED**; all of them from the Political Constitution of the United Mexican states, to remain as follows:

Article 25. ...

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¹ <http://gaceta.diputados.gob.mx/PDF/65/2021/oct/20211001-I.pdf>

² Until, and if, approved by the Mexican Congress and published in the Federal Register, the content of this Decree **is not effective**.





The public sector will have under its responsibility, exclusively, the strategic areas indicated in article 28, fourth paragraph of the Constitution, maintaining always the Federal Government the ownership and control over the State's instrumentalities and public instrumentalities that may be established when appropriate.

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The State shall preserve the energy security and self-sufficiency of the Nation, and the continued supply of electric energy to the entire population, as an indispensable condition to guarantee the national security and the human right to a dignified life.

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Article 27. ...

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In the cases referred in the previous two paragraphs, the ownership of the Nation is inalienable and imprescriptible, and the exploitation, use or benefit of the relevant resources, by the private parties or by companies incorporated under the Mexican law, may not be carried out but through concessions, granted by the Executive Branch, in accordance with the rules and conditions established in the laws, except for radio and telecommunications, which shall be granted by the Federal Institute of Telecommunications. The legal rules related to the works or activities of exploitation of the minerals and substances referred in the fourth paragraph, shall regulate the execution and accreditation of those carried out or that should be carried out from its effective date, regardless of the date of the granting date of the concessions: and its non-compliance shall have the consequence of its cancellation. The Federal Government has the authority to establish national reserves and remove them. The relevant declaration shall be made by the Executive in the cases and conditions that the laws provide. Dealing with radioactive minerals, lithium and other minerals considered strategic for the Energy Transition, no concessions will be granted. It exclusively





corresponds to the Nation the energy area of electricity, consisting in generation, conduction, transformation, distribution and supply of electric energy. The Nation shall exploit the properties and natural resources that are required for such ends.

The State is responsible for the Energy Transition and shall use all energy sources available to the Nation in a sustainable manner, with the goal of reducing the emission of greenhouse gases and components for which it shall establish the scientific, technological and industrial policies necessary for this transition, fostered by the national financing and demand as levers of development.

Dealing with oil and solid, gaseous or liquid hydrocarbons, in the subsoil, the ownership of the Nation is inalienable and imprescriptible, and no concessions shall be granted. With the purpose of obtaining revenues for the State that contribute to the long-term development of the Nation, the latter shall carry out the activities of exploration and extraction of oil and other hydrocarbons through entitlements to State instrumentalities or through contracts with the former or private parties, in the terms of the Regulatory Law. To accomplish the purpose of said entitlements or contracts the State instrumentalities may contract with private parties. In any case, the hydrocarbons in the subsoil are the property of the Nation and so it shall be stated in the entitlements or contracts.

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Article 28. ...

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The functions that the State exclusively executes in the following areas shall not constitute monopolies: mail, telegraph and radiotelegraph; radioactive minerals, lithium and other strategic minerals; generation of nuclear energy; electricity; and the exploration and extraction of oil and other hydrocarbons, in the terms of the sixth and eighth paragraph of article 27 of this Constitution, respectively; as well as the activities expressly established in the laws issued by the Congress of the Union. The communication via satellite, rails, and the industries required for the Energy Transition are priority areas of the national development in the terms of article 25 of this Constitution. The State, when exercising its stewardship, shall protect the security and sovereignty of the Nation, and when granting concessions or permits with respect to the means of communication it shall maintain its ownership in accordance with the laws on the subject matter.





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The Federal Electricity Commission, State instrumentality with its own legal status and property, is responsible for the electricity and the electric National System; as well as its planning and control; it shall be autonomous in the exercise of its duties and in its management, and shall be responsible for the Energy Transition in matters of electricity, as well as the activities necessary for such.

The Federal Electricity Commission shall generate at least fifty four percent of the electric energy required by the country. The private sector shall participate up to the forty six percent of the generation required by the country. The electric energy utility supply service shall be exclusively provided by the Federal Electricity Commission, which shall be allows to procure electric energy from the private sector.

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Transitory Provisions

First. This Decree shall be effective on the day following its publication in the Federal Register (*Diario Oficial de la Federación*).

Second. Pursuant to the provisions of constitutional articles 25, 27 and 28 of this Decree, the State is hereby made the responsible party for the National Electric System through the Federal Electricity Commission, therefore, the same day that this Decree becomes effective, such System is installed in the following terms:

- a) The electricity generation permits granted and the contracts for the purchase and sale of electricity with the private sector, are canceled, as well as the applications pending resolution.
- b) The CFE is transformed into a State-instrumentality (*organismo del Estado*) responsible for the strategic area of electricity, its planning and control; autonomous in the exercise of its duties and in its management. It shall adopt the measures that are necessary to implement the provisions of this Decree.





- c) The CFE is integrated as a single instrumentality of the State vertically and horizontally, thereby eliminating the legal separation of its companies and affiliates. The Subsidiary CFE Telecomunicaciones e Internet para Todos and the Affiliates CF Energia, CFE International and CFE Capital shall survive, and it may create any it considers necessary.
- d) The National Center for Control Energy (CENACE) with its duties and authority is hereby reincorporated to the Federal Electricity Commission, as appropriate.
- e) The Federal Electricity Commission is responsible for the procedures to dispatch its facilities on economic merit, in compliance with reliability, continuity and stability criteria.
- f) The CFE shall develop the economic dispatch of electric generation units, considering the participation of generators, of generation facilities of the Federal Electricity Commission with at least a 54 percent of the energy required by the country, and the facilities of the private sector up to 46 percent of the energy required by the country, guaranteeing the lowest cost for utility service and considering total production costs.
 - i. The forty six percent of electric energy required in the country that is recognized to private investment is that which supported the models hereby annulled: of the facilities of Independent Power Producers, without considering excess; the Long Term Auctions, the Electric Facilities (*Centrales Eléctricas*) built since the energy reform of 2013 and the authentic Self-supply Electric Facilities (*Centrales Eléctricas de Autoabastecimiento*) that operated pursuant to the legal terms established in the Electric Energy Public Service Law. These electric facilities may continue to generate electricity and compete to offer the lower production costs, for it to be acquired by the Federal Electricity Commission through the CENACE, in the short and long term, for the benefit of end users. The Federal Electricity Commission shall execute long-term bilateral financial hedging agreements, for the purchase of electric energy and generated capacity by the private sector.
 - ii. The Federal Electricity Commission shall acquire the electric energy and generated capacity by the private sector, required in the short term, through the competition for its dispatch due to their lowest production costs, for the benefit of end users.
 - iii. The Federal Electricity Commission shall establish the necessary contract modalities for the acquisition of electric energy and generated capacity by the private sector, as a special regime different to that





established in constitutional article 134; in order to provide the public supply service of electric energy, for the benefit of end users.

- iv. The Federal Electricity Commission establishes the necessary modalities to procure the necessary goods, services, works and fuels, in the general framework of constitutional article 134.
- g) The generation stemming from the amendments to the Self-supply permits that were granted in violation of the provisions of the Electric Energy Public Service Law, which constitutes a violation of law, shall not be recognized, nor purchased by the CFE. Likewise, the excess generation of Independent Power Producers, derived from permits overlapping the original permit of the facility, shall not be recognized.
- h) The CFE shall determine the rates for the Transmission and Distribution grids, as well as the rates for end users.
- i) The Clean Energy Certificates are cancelled.

Third. The coordinated energy regulatory bodies National Hydrocarbons Commission and Energy Regulatory Commission, are hereby eliminated. Its' structure and authorities are hereby incorporated to the Ministry of Energy, as appropriate.

Fourth. The participation of the private sector in the electric generation, shall be subject to the planning and control of the Federal Electricity Commission and its regulation for the continuity and reliability of electricity; guaranteeing at all times the continuity in the generation for the rendering of the public service of electricity.

Fifth. For the sovereign Energy Transition it is hereby established: industrial policy for electricity, from the transformation of natural resources, up to the manufacture of equipment for end users; national science and technology; intellectual property of the State, of technologies, systems and equipment; manufacture of components and equipment deemed critical by public entities; financing of development banks and the national market to create public, social and private companies of national capital.

Sixth. The mining concessions already granted by the Mexican State currently exploring for and/or exploiting gold, silver, copper and other minerals shall be preserved in the terms which they were granted. However, these concessions do not include the exploitation and production of lithium.

To the concessions already granted by the Mexican State and those which on this date have a history of lithium exploration duly certified by the Ministry of Economy, the restriction mentioned in the preceding paragraph shall not be applicable.





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Seventh. The labor rights of the workers that render their services in the Federal Public Administration offices and entities dedicated to the activities contemplated by this Decree, shall be honored at all times in accordance with the Law.

Eighth. All provisions in opposition to the content of this Decree are hereby repealed.

Ninth. Within the one hundred eighty calendar days following the effective date of this Decree, the Congress of the Union shall make the necessary changes to the legal framework, in order to make the provisions of this Decree effective.

Mexico City, September 30, 2021

THE CONSTITUTIONAL PRESIDENT OF THE UNITED MEXICAN STATES

MR. ANDRÉS MANUEL LÓPEZ OBRADOR

