

Some reasons why many Mexicans oppose the construction of pipelines near their homes or towns. An objective non-political point of view.



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This note has NOT the intention of qualifying what or who is right or wrong, but to explain and understand the real reasons behind each party's position. (developers/owners and people)

I often hear or see in the news that Mexican and foreign authorities, individuals, mass media, reporters and many others mention things like: "Mexicans are against progress in Mexico", "Companies in Mexico suffer extortion from locals, tribes or certain individual"

The situation of NOT wanting a pipeline cross near your home where your family lives isn't uncommon around the world, not even in our neighbor country The United States.

First let's analyze in general terms the position of the pipelines developers:

- 1.-** They whether have won a bidding process for CFE or are developing and building a pipeline for as a private project or for its own use.
- 2.-** Before launching the project they had to spend a lot of money in preliminary studies, preparing a business plan, financial documents etc...

- 3.- They executed contracts where among other terms and conditions is included the obligation of delivering the “service” or the “asset” (Commercial Operation Date or COD) in certain date.
- 4.- If they fail to reach COD, penalties will have to be paid to the Client or in any case a guarantee would have to be executed.
- 5.- Such delay impact not only the cash flow and profitability of the project itself but also other problems for the developer, owner and client. (am not entering in an analysis of such problems as it will need a different note).
- 6.- The impacts and penalties will be determined by the obligations the developer and owners of the project agreed in the contract, which can be more or less depending on how some clauses were agreed: Force majeure, Fortuitous Case, Change in Law and others.
- 7.- The developers or owners have to spend a lot of money in the integration and construction of the asset, hire professionals, create teams, get the necessary permits, acquire the rights of way (ROW), manage the project etc...
- 8.- For such the company prepared proposed route based in a strict analysis, a business plan, a schedule, critical route, etc...
- 9.- The Companies are very sensitive to the execution time as it has to be delivered “on time”.
- 10.- The companies have to comply with all domestic and international regulations related to the project as well as the specifications in the contract.
- 11.- The companies create a Social Responsibility committee in-house in order to negotiate with the communities and guarantee they are informed about the project, its benefits among others. I remember very much a short cartoon story book issued by the government of Sinaloa which was distributed among the population for example. I still have it somewhere.

Now, let’s analyze the Mexican people position and history related to energy projects:

- 1.- Historically in Mexico only governmental entities were able to develop projects like pipelines.
- 2.- Along the years such kind of projects have NEVER created sustainable wealth for the population of a city or town. Examples: All the Golden Lane area (Faja de Oro) in Veracruz and Tamaulipas.

3.- As of today the perception is that the opinion of the population has never been important for the Mexican government nor the laws.

4.- If you are Mexican, you understand how the permits and projects were granted in the past. A lot of corruption was involved and the only important thing was to build the asset no matter what. Many times, not even the Rights of Way were paid to the owners. I know a couple of cases first hand.

5.- Along the years so many:

a).- accidents, as the explosion in San Martin Texmelucan town in POuebla state <https://www.reuters.com/article/us-mexico-explosion/oil-blast-causes-inferno-in-mexican-town-28-dead-idUSTRE6BI1DT20101220>

b).- explosions, such as the one of Kinder Morgan's pipeline in Reynosa <https://www.courthousenews.com/kinder-morgan-to-battle-suit-over-fatal-blast/>

c).- people dead, such as the result of explosions in the city of Guadalajara, Jalisco state https://en.wikipedia.org/wiki/1992_Guadalajara_explosions

d).- towns which literally disappeared together with all the inhabitants, for example San Juanico disaster https://en.wikipedia.org/wiki/San_Juanico_disaster

e).- environmental disasters, such as poisonous chemicals leaks <https://newint.org/features/web-exclusive/2015/01/08/mexico-environment-disaster>

f).- farmers land affected so badly that there's no possibility to grow crops which traduces in people losing their way of life and not being able to support its family and kids etc... such as in Puebla state in early 2018 <https://mexiconewsdaily.com/news/pemex-spills-a-worry-in-puebla-veracruz/>

g).- Others.

Note: Above are only some examples, but there are many more.

6.- The entities in charge of establishing, validating, supervising and implementing the **safety conditions** with which the infrastructure has to comply in Mexico, were controlled by the government.

7.- Such entities were the ones telling the population: Don't worry as your life will not be in danger with this or that infrastructure being built near your home. Same as number 4 above.

8.- In case of an accident happening, many reasons can exist for it: Negligence, wrong planning, not complying with the safety requirements (even when on paper is stated that such requirements were met), rush in getting an authorization that many safety requirements

were overseen, vandalism, not having enough signs or instruction for the population about what to avoid e.g. drilling in certain places. And many others.

9.- The energy reform DOES NOT guarantee that as an act of magic the governmental institutions' corruption and practices will disappear, not the old ways to grant permits, safety inspections etc... a new decree or law can't fully guarantee it either.

10.- Many private companies are different than old governmental entities, such as the ones building the pipelines in Mexico since 2012 CFE's bidding rounds, they comply with all standards, requirements and are doing things properly.

11.- The population in general knows by heart what I am stating in above sentences, remember the dead people from many past accidents and ways of doing projects in Mexico and I mean not only since 1938 but way before.

12.- Perception of many Mexicans is that in the last years there is a rush and only interest from companies and the government in finishing the construction of the projects, no matter what the population thinks. Irrespective of the fact that it has been announced that now there are clear rules for compensating the land owners, nearby towns or cities, new safety regulations and proceedings. Just watch the news.

13.- There are many other "reasons" or causes that make Mexican population skeptical about the "Real" way of doing things or business today.

14.- The people must feel safe away from political interests or propaganda in order to accept and cooperate with the government and private companies for the development of the projects.

15.- Mexico is a country of 120 million people.

16.- Accidents also happen in first world countries like the US, the general Mexican population logic says: If such accidents happen in those countries which are way less corrupt than Mexico and have strong regulators, What can we expect to happen in Mexico?

I think there is a way to reconcile interests and positions between the population and Companies developing especially linear projects such as pipelines, or renewable power plants but the 2 faces of the coin need to be considered. (There are many examples in Mexico)

There are many interests behind such projects reason why we shouldn't only analyze the ones that are convenient for us or for the story.

Unfortunately, Mexico is not as good and perfect as the news or reports claim but fortunately it is not as bad as many other people claim it to be, we just need learning (through an objective analysis) to identify and match propoganda, facts and reality.

I strongly encourage Mexican and foreign mass media, reporters, individuals to stop trying to spread the voice of groundless affirmations such as that certain or all Mexicans are against progress and other non-sense comments.

Life and safety of your family are among the main values for any human being.

If you have any comment or question about this note please feel free to contact me, I will be happy to help: rogelio@huastecaventures.com

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