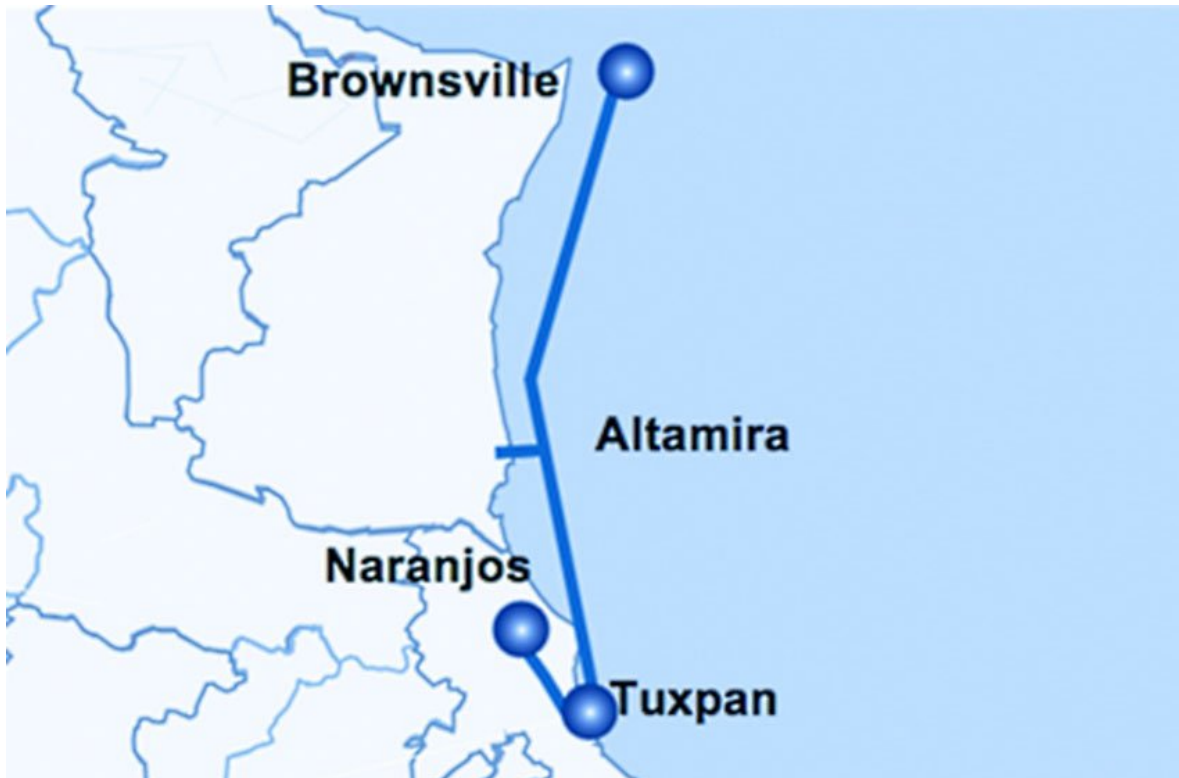


Canadian ambassador worries that Mexico won't respect pipeline contracts

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Electricity commission is taking contract to international arbitration



Canada's ambassador to Mexico expressed concern that the government won't respect gas pipeline contracts a day after the Federal Electricity Commission (CFE) initiated an international arbitration process to nullify clauses in the contract for a submarine gas line between Texas and Tuxpan, Veracruz.

Pierre Alarie said the CFE's actions against the Mexican company IEnova and the Canadian company TC Energy (formerly TransCanada Corporation) – [which partnered to build the US \\$2.5 billion project](#) – contradict statements by President López Obrador that the government won't initiate any legal action against pipeline operators.

"I'm deeply concerned about the recent actions of the CFE and the message they send that, despite López Obrador's statements, Mexico doesn't want to respect gas pipeline contracts," the ambassador wrote on Twitter.

López Obrador said on February 12 that his government won't take legal action against companies that operate the pipelines because they have "very good lawyers," explaining that he didn't want to end up fighting legal battles in international courts.

However, the president changed his tune this month, stating that the government will take legal action if necessary.

The CFE is seeking the nullification of certain clauses of the Texas-Tuxpan “transportation services contract,” according to a note sent to the Mexican Stock Exchange by IEnova.

The company said the clauses the CFE wants to revoke are related to the responsibility of the parties in unforeseeable circumstances.

IEnova said the CFE is also seeking reimbursement of payments “it now considers unjust.”

The company didn’t state how much the CFE is seeking but in an interview with the newspaper *El Financiero*, Ambassador Alarie said the CFE appeared to be asking TC Energy for some US \$899 million.

He warned that the arbitration process sends a confusing signal to the private sector and places future investment at risk.

“I don’t want to speculate about the decisions that the companies will make but they need clarity,” Alarie said.



Canadian Ambassador Pierre Alarie.

“What I can tell you is that the contract was for US \$2.5 billion, it was signed in 2017, it created thousands of jobs in the country and the confusion could place the investments at risk,” he added.

The ambassador said he didn't agree with CFE chief Manuel Bartlett's characterization of pipeline contracts as "one-sided," pointing out that the state-run company itself negotiated, approved and signed them.

The company's intention to have part of the Texas-Tuxpan contract repealed is "a very bad sign," Alarie said.

"The actions of the CFE are very incongruous with the words of the president . . . I believe that it is very important to immediately clarify the rules of the game so as not to confuse the companies," he added.

The president of the Business Coordinating Council, a leading private sector organization, was also critical of the arbitration process, stating that it creates a perception that the government is not respecting contracts that were signed before it took office.

"A contract that was put out to tender internationally is being called into question, a contract was awarded to a company in an international bidding process, the company built [the project], we may not like the conditions of the contract [but] what we can't do is . . . [take action] against the contract," Carlos Salazar Lomelín said.

Gustavo de Hoyos, president of the Mexican Employers' Federation, expressed his opposition to the CFE's actions in a Twitter post.

"The attraction and retention of international investment requires certainty. [There is] nothing more damaging for the competitiveness of Mexico than a loss of confidence in the rule of law. In the energy sector, the country is degraded by the failure to comply with contracts and the violation of the law," he said.

Asked about the Canadian ambassador's remarks at his morning press conference today, López Obrador said the government will seek to reach an agreement with TC Energy.

"An agreement will be reached but we also have to defend the assets of the people of Mexico," he said.

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The president said that Alarie's comment about Mexico not wanting to respect pipeline contracts was motivated by his role as Canada's chief diplomat in the country.

"As any ambassador would do, he has to defend the companies from his country," López Obrador said.

The pipeline project was completed earlier this month. It has the capacity to move 2.6 billion cubic feet of natural gas per day.

Source: [El Financiero](#) (sp)