

## OIL &amp; GAS



/News Article

## CNH: A Brief Explanation

By Pedro Alcalá | Mon, 10/11/2021 - 10:27

Given that the government's latest electric reform proposal calls for the "suppression" of CNH, a basic understanding of its history and function is important to gauge what could be lost if said reform passes, a possibility that is becoming more likely than expected as the opposition parties have entered a state of conflict in response to the proposal in the last week.

The National Hydrocarbons Commission (CNH), has had a relatively short but extremely influential history in Mexico's oil and gas industry. It was created in 2008 during what was then called the "energy reform", although it would historically be shadowed by the Energy Reform that would be enacted five years later. It was meant to be an independent regulator for the upstream oil and gas sector that could gather geological and geophysical information on the country's oil and gas assets in order to be an arbiter of their administration and distribution. This kind of work used to be done by PEMEX, but the new and liberalized energy framework that was beginning to be explored at the time meant that giving PEMEX continued control over that information discouraged competition and investment. The 2008 reform that formed the CNH did not include the introduction of new contracting models through which any other operator besides PEMEX could exploit oil and gas resources in Mexico, but the creation of the CNH meant that this would be possible in the future with fairness, transparency and legal certainty for all potential investors and stakeholders involved.

Since the passing of the Energy Reform, the CNH has played a central role in the organization of all bidding rounds through which new operators have entered Mexico's upstream oil and gas segment. CNH has also generated significant revenue for the state by commercializing all the available hydrocarbon data of Mexico's geography to these new operators. Through the creation of the CNH, the Mexican government retains ownership over all data pertaining to oil and gas resources. All operators must report the full findings and results of their exploration campaigns to CNH by law. Since the CNH is widely respected at an international level as a fair keeper of this data, operators have been willing to hand over this valuable information without any significant exceptions.

Through the work of its four commissioners, CNH approves all investment, exploration, drilling and development plans for all upstream operators in Mexico. It has successfully and consistently continued to do this throughout the pandemic, as detailed in MBN's latest interviews with commissioner Alma América Porres (available [here](#)) and commissioner Héctor Moreira (available [here](#)). CNH has also constructed and maintained its own network of physical facilities, which include litoteques and research centers in addition to its central office campus in Mexico City.

The fate of these assets, along with the future of the commissioners themselves, remains to be defined in the event of the commission's "incorporation" into SENER, as dictated by the reform proposal that the president sent to congress.

Photo by: CNH



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