



## Pemex to launch state-owned network of 500 stations

**With 35% of the fuel retail market now in hands of non-Pemex brands, the government has decide to launch its own Pemex Red network.**



Petróleos Mexicanos (Pemex) is getting ready to launch its own network of petrol stations, which will be developed and operated by the state-owned petroleum company to compete against its Pemex franchise as well as new market players.

The network will be called “Pemex Red” and will be formed by some 500 gas stations. The first will open in Colonia Condesa, City of Mexico – a site that the President Andrés Manuel López Obrador shut down while he was in charge of the city.

Under the business model prepared for Pemex Red, the company will buy the land and build or renovate the site. The stations will be tendered to third parties under a contractual regime that allows for the company to revoke the contract, reports El Universal.

Pemex will therefore reinforce its role in the fuels retail market, where it already participates directly

and indirectly through the Pemex Franchise (9,161 petrol stations; 45 still owned).

The move is in line with the efforts of President Andrés Manuel López Obrador, a left-wing politician commonly referred to by his initials AMLO, to reinvigorate Pemex. Once a key part of the Mexican economy, the state-owned oil company has become a burden for Mexicans. In 15 years, it was gone from producing 3.4 million barrels a year to today's 1.7 million, a 50% drop that explains the country's reliance on fuel imports.

### **A state response to a liberalized market**

In recent months, AMLO had asked fuel retailers in Mexico to keep fuel prices down warning that otherwise the state would launch its own network of petrol stations.

With global oil prices soaring after the attack on one of Saudi Arabia's largest processing plants, the Mexican government tried to maintain fuel prices by bringing down the Special Tax on Production and Services (IEPS) – an indirect tax that affects products such as fuel, alcohol, beer and tobacco. This week, AMLO stated that the government would develop its own sites to sell fuel at a lower price and force the market to compete.

The new project also intends to put a brake on the sale of Pemex stations that began with former president Enrique Peña Nieto.

### **Fighting a battle for public image**

The transformation of Pemex, both for the franchises and for the future state-operated network, is an uphill battle. After years of corruption and inefficiency, distrust towards Pemex is ingrained in Mexican society. 'Litre for litre' has become the slogan of many new players entering the market as tampered pumps became a normality.

As an Uber driver from Mexico explains, "when you filled the car with 10 litres at a Pemex station I would normally get between 8 and 9. Never 10. I try to only stop at other gas stations now." The feeling is quite common. Gas stations switching from Pemex to recognized foreign brand can see an increase in sales by 35% in some cases, according to Raul Silva, Country Manager for Petroassist Mexico.

The relaunch of the Pemex brand and the implementation of better practices supported by associations like Onexpo intend to change the customer's perception of the brand.