

Mexico City, november 20<sup>th</sup>, 2020.

## **The Energy Regulatory Commission establishes a new process for updating permits that are in the circumstances contained in Resolutions A/043/2016 and A/043/2018.**

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**Dear clients and friends,**

On November 10, 2020, the Energy Regulatory Commission (“CRE”) published on the Federal Official Gazette (“DOF”) the Resolution A/038/2020, which modifies the Resolution A/043/2016 that establishes the cases where an updating of a permit applies (the “Resolution”).

The Resolution does not modify the cases where an update of a permit proceeds in terms of the Resolutions A/043/2016 and A/043/2018; but establishes a process for the resolution of the applications. The procedure will be process as follows:

- (a)** Once the application has been submitted, the corresponding Administrative Unit of the CRE (Petroleum products, Petrochemicals, Natural Gas, or Electricity) will be the authority in charge of the analysis and evaluation of its origins.
- (b)** Before render its resolution, the Unit must send to the Board of Commissioners (through the Executive Secretariat) the application’s background information including every update application filed by the permit holder, in order to inform the Board and obtain its approval or rejection, the last one must be justified.
- (c)** The Executive Secretariat must inform the Unit of the decision adopted by the Board of Commissioners, and subsequently inform the applicant.
- (d)** The Unit will report the answered application to the Executive Office, in order to register the corresponding update in the CRE’ Public Registry.

The procedure applies to the following permit update request:

a. In all activities:

- Change or modification to the corporate or ownership structure of the permit holder, as long as such modification does not come from a share or stock transfer transaction, provided that it does not imply a change of control.

b. In matters of hydrocarbons, oil, petrochemicals, and bioenergy, except for natural gas transportation through pipelines in the modalities of Self Use and Self-Supply, regarding:

- Change or modification to the routes and destination of transportation and distribution systems by means other than pipelines.
- Any change in the investment amounts of the specific project.
- Change of the system’ operator when the permit allows such modification.
- Any modification or change of petroleum or petrochemicals products to be stored, transported, distributed, or commercialized.

- Modification of the products to be commercialized that belongs to the same family (oil, hydrocarbons, or petrochemicals).
- Modification of the vehicle fleet registry, in the case of permits for transportation and distribution by means other than oil and LPG pipelines; regarding natural gas in case the capacity established in the permit is not altered. Registration or deregistration of vehicle fleet guard stations, in the case of permits for transportation and distribution by semi-trailers and auto-tanks.
- Modification of the trademarks or brands of hydrocarbons and oil products, as well as those used in transportation and distribution by means other than LPG pipelines and retail.
- Changes in the type of oil (except LPG), in tanks covered by storage and distribution permits.

c. In the matter of natural gas transportation permits through pipeline in the modalities of Self Use and Self-Supply, in the following cases:

- Change in the corporate name of the permit holder, as well as of the name of the partners and shareholders, except in the cases in which such change in partners or shareholders derives from a spin-off or merger involving new interconnections.
- Modification of the authorized route at the request of a competent administrative or judicial authority.
- In the modality of self-use: (i) the connection to incorporate a new natural gas supply point, which does not imply any change to the capacity, length, trajectory, or operation of the system, and (ii) changes in the corporate or ownership structure, provided that does not imply a change of control.
- In the modality of a self-supply company: (i) changes in the corporate or ownership structure of the permit holder or of the partners, (ii) derived from the spin-off of a partner, the modification of the corporate structure and, if applicable, the name of the partner who remains interconnected, and (iii) in the event of merger of partners that does not imply a change of control.

d. Regarding power generation and supply:

- Reduction of the installed capacity as long as there is no change in technology, or in the authorized demand for electricity imports.
- Any change in the direct current capacity of the applicable generation equipment, as long as it does not imply a change in the capacity in alternate current.
- Any change in Suppliers' start of Operation Date.
- Any change of location of a power plant, that due to its characteristics can be moved without disassembling the equipment.

The lawyers of the firm are at your service for any additional information.

Sincerely,

**Antonio Mañón**  
antonio.manon@mqsc.mx

**Gerardo Quintana-Pineda**  
gerardo.quintana@mqsc.mx

**Jorge Rosales-Fernandez**  
jorge.rosales@mqsc.mx

**Dario Jandette-Fuentes**  
dario.jandette@mqsc.mx

**Santiago J. Nuñez-Chaim**  
santiago.nunez@mqsc.mx

**Julio J. Copo-Terres**  
julio.copo@mqsc.mx

**Antonio Barrera-Rios**  
antonio.barrera@mqsc.mx

**Gerardo Sanchez**  
gerardo.sanchez@mqsc.mx

**Enock Perez-Arias**  
enock.perez@mqsc.mx

**Beatriz Gonzalez-Alanis**  
beatriz.gonzalez@mqsc.mx

**Paulina Ruiz**  
paulina.ruiz@mqsc.mx

**Sofia Philippe**  
sofia.philippe@mqsc.mx

**Nuria Ledezma**  
nuria.ledezma@mqsc.mx

**Fernando Salinas**  
fernando.salinas@mqsc.mx

**Ilse Salgado**  
ilse.salgado@mqsc.mx

**Bruno Saab**  
bruno.saab@mqsc.mx

**Juan Daniel Martinez**  
daniel.martinez@mqsc.mx

**Frida Salgado**  
frida.salgado@mqsc.mx

**Paulina Martin-Gonzalez**  
paulina.martin@mqsc.mx

**Hugo Oseguera**  
hugo.oseguera@mqsc.mx

**Ciudad de México**

Córdoba 42, Piso 5 - B,  
Roma Norte, 06700,  
Ciudad de México

C. +52 (55) 8438.0000  
D. +52 (55) 8438.0001  
[contacto@mqsc.mx](mailto:contacto@mqsc.mx)

**Tijuana**

Misión de San Javier 10643,  
suite 400, piso 4, Zona Río,  
22010, Tijuana, B.C.

C. +52 (664) 615.7150