



Energy Client Monthly Report

May 2025



As we have come to expect from Fourth Transformation governments, especially in the Trump era, April was another eventful month. In Mexico, former President Ernesto Zedillo (1994-2000) lashed out against the judicial reform and President Sheinbaum as campaigning for the June 1 judicial elections heats up. Sheinbaum also faced problems within her political coalition and controversy over her proposed telecommunications reform, prompting her to announce at least two special summer legislative sessions to deal with a legislative backlog.

On the bilateral front, Trump walked back tariffs in the North American auto sector, although his overarching goal of bringing auto production back to the United States from Mexico remained unchanged. The two countries also settled disputes over water and livestock exports and welcomed the new U.S. Ambassador to Mexico City. Meanwhile, Trump's accolades for Sheinbaum continued, calling her an "excellent person," a "fantastic woman," and an "elegant woman." Nevertheless, tensions persisted, including the addition of a 21% duty on Mexican tomato exports, Sheinbaum's refusal to accept Trump's offer to send U.S. troops to Mexico to fight the cartels, and Trump's ensuing inference that she is too scared of organized crime to think straight.



Domestic Policy Advances Along with Challenges for Sheinbaum

The campaign for the June 1 judicial election generated a good deal of political noise last month. An Enkoll poll for the *El Universal* newspaper showed that the leading Supreme Court candidates, with just one exception, were openly sympathetic to the Fourth Transformation. The lone exception is the son of a former general who was imprisoned for his ties to organized crime. The candidates' profiles further demonstrate limited legal experience, reinforcing our expectation that electing judges will significantly undermine judicial autonomy and capacity. In addition, Morena supporters have been canvassing neighborhoods with strong 4T backing to mobilize voter turnout.

In this context, former Mexican President Ernesto Zedillo (1994-2000), who oversaw the formation of an independent federal judiciary and the final phase of Mexico's democratization, accused AMLO and Sheinbaum of killing democracy and planning to create a police state. This set off an AMLO-like, Sheinbaum-led effort to discredit Zedillo, including a video shown during her morning news conference reminding Mexicans of Zedillo's "failed neoliberal policies." The legislature also formed a new committee to investigate dirty deals and cartel ties in the Zedillo administration. Although the name-calling has gone through several iterations and continues to captivate the attention of Mexico's chattering class, it is unlikely to detain the judicial reform or dent Sheinbaum's popularity.

On the contrary, it helped Sheinbaum by diverting attention from the findings of the Attorney General's investigation into the Jalisco cartel training camp outside of Guadalajara. Despite eyewitness testimony describing torture and murder at the camp, the Sheinbaum administration concluded that it was simply a training facility. This politically motivated and unpopular decision averts the need to investigate the politician who served as Governor of Jalisco at the time the camp operated. His party, Movimiento Ciudadano (MC), which considers itself to be Mexico's most independent party, now finds itself indebted to Sheinbaum and the federal government.

Simultaneously, a Labor Party (PT) congress greeted a former party member and now a prominent Morena politician, Gerardo Fernández Noroña, with loud boos. This display of discontent matters because without PT votes, Sheinbaum lacks the two-thirds Senate majority needed to revise the Constitution. Labor Party leaders are upset about the special



treatment the Green Party received in the anti-nepotism law approved in March (see [last month's newsletter](#) for details). The PT, however, a historic ally of Morena and the Mexican left, has received no special treatment. Worse, Morena governors have replaced PT candidates with Morena politicians, and Sheinbaum oversaw budget cuts to a PT-controlled social program. Balancing the interests of Morena's two small party allies, alongside internal divisions within Morena itself, is proving just as difficult for Sheinbaum as we suspected.

Indeed, divisions and disputes persist within Morena. At the party's National Congress on May 4, delegates unanimously approved Sheinbaum's anti-nepotism statute, despite known opposition from two party power brokers: Ricardo Monreal, whose brother seeks to succeed another sibling as governor of Zacatecas, and Félix Salgado, who wants to follow his daughter as governor of Guerrero. Delegates also approved other Sheinbaum platforms indirectly calling out several other powerful party politicians, including Senate leader Adán Augusto López. In short, President Sheinbaum is clearly trying to put her stamp on Morena and contain her party rivals, but it is unclear how they or former President López Obrador will respond. The internal struggle within the party is far from over.

Turning to the president's legislative agenda, the telecommunications reform has become a particular challenge. The Senate attempted to fast-track its approval in late April, but it quickly ran into strong societal and political opposition. In the wake of a U.S. government ad aired over Easter weekend discouraging Mexicans from migrating, Sheinbaum added a clause to the reform that would prohibit foreign advertising on Mexican national television. The president seems to have thought Mexicans' nationalist reaction to the ad would outweigh opposition to the reform's broader content. She miscalculated. Instead, Sheinbaum was accused of trying to censor the media and reestablish government control over a sector that had operated independently for more than a quarter-century. The reform gives the executive branch full authority to grant, renew, and revoke concessions in a sector where the government operates, as well as the unilateral power to review media content and shut down digital accounts or entire platforms deemed to be in violation of the law. In response to the backlash, the Senate withdrew the legislation and agreed to hold five days of hearings throughout the country beginning May 8 to listen to public concerns before taking it up again in a special session. In addition, Sheinbaum backed down a little, saying the article allowing the government to shut down on-line accounts and platforms would be removed.

Energy News

Despite very strong rumors that Dr. Ricardo Mota, the head of CENACE, would leave his post on Wednesday, April 30, this did not take place. Indeed, it was surprising that the Sheinbaum administration would make such a decision just as Mexico was officially entering what we anticipate will be a very challenging summer season, which has already led to rolling blackouts in the Yucatán Peninsula. We spoke with Dr. Mota on May 6 and he told us that the rumors were “just politicking.” We will, of course, continue to closely monitor this situation.

Meanwhile, Dr. Néstor Martínez was removed from his position as head of the all-important Pemex PEP (Pemex Exploration and Production) unit, following his failure to stabilize and increase oil production at the state-owned company. Pemex seems to be in a death spiral that will be very difficult for the Finance Ministry to manage.

SENER is working intensively on drafting the rules, regulations, and manuals that will implement Sheinbaum’s energy reform. The administration intends to publish these around the end of May; we expect that these regulations will maintain the same positive, investment-friendly spirit that the reform offered. Much-anticipated clarifications—such as how the 54/46% generation split between CFE and private investors will be calculated—should be addressed, and we will report back as information becomes available. Certainly, we have noted an uptick on investor interest to pick up new renewable energy development efforts, as well as the reactivation of projects that were delayed by the AMLO administration, further reinforcing our positive outlook.

Bilateral Cooperation Punctuated by Persistent Tensions

Mexico and the United States successfully resolved two bilateral policy challenges last month. Following a Trump threat to impose sanctions and tariffs on Mexico if it did not pay its water debt and stop “stealing” water from Texas, the two sides reached an amicable agreement. Mexico will immediately deliver a small amount of water, send more during the rainy season, and make efforts to resolve its persistent backlog of water deliveries. The U.S., meanwhile, will release water from the Colorado River as requested by Mexico. A clear win for bilateral cooperation, this short-term solution is likely to come under stress as early as next year given increased drought conditions due to climate change and the political power of farmers in both countries. The two countries also reached an agreement to deal with a screwworm infestation in Mexico that might have halted U.S. livestock imports from Mexico.



Hopefully, the regular “productive” conversations between the two Presidents and the arrival of the new U.S. ambassador, Ron Johnson, in Mexico City will help expand this bilateral cooperation.

There was also good news on the tariff front. Just five days after “Liberation Day” on April 2, Trump walked back all his reciprocal tariffs, except those on China, and later reversed his 25% tariff on auto parts from China. Although neither action directly impacted Mexico, they presaged Trump’s April 29 executive orders on auto tariffs which mattered greatly for Mexico. These orders prevented double and triple taxation on auto companies. Now, they will pay import duties on finished vehicles but are exempt from paying a 25% tariff on the steel contained in the vehicle and the border security tariffs. In addition, the government will reimburse firms for the estimated cost of auto parts tariffs over the next two years. Trump then announced on May 2 that auto parts imported from Mexico or Canada that are USMCA-compliant are exempt from paying import duties.

Although this moves Mexico a step closer to achieving its core objective in the face of Trump’s tariff policies, to retain the lowest tariff access to the U.S. market, ideally through the USMCA, the U.S.-U.K trade agreement signed May 8 seems to be a step in the wrong direction. It will allow the first 100,000 cars imported from the U.K. to enter the United States with a 10% tariff, below the USMCA rate of 25% on the non-U.S. content of the vehicles. In a press release, U.S. auto companies slammed the decision.

Trump’s objectives and rhetoric, however, remain unchanged. In his speech marking the first 100 days in office, Trump continued to insist that Mexico and Canada have unfairly taken a large portion of the U.S. auto industry. He also restated his fondness for tariffs as a foreign policy tool. In this vein, on April 14, he slapped a 21% countervailing duty on Mexican tomato exports to the United States to take effect on July 14, unilaterally pulling the United States out of a nearly 30-year-old bilateral agreement. Further, the U.S. Trade Representative’s office placed Mexico on its priority watch list for Intellectual Property Rights violations on April 28, suggesting possible future tariffs to pressure Mexico to change its policy.

Beyond tariffs and trade, migration and fentanyl continued to grab headlines. Over Easter weekend, Trump ordered the U.S. military to occupy a 60-foot-wide strip of federal land along the border to deter migrants. His administration also aired an advertisement on Mexican television in which Secretary of Homeland Security Kristi Noem aggressively discouraged Mexicans from migrating, setting off the nationalist reaction noted above.



On fentanyl, U.S. Customs and Border Protection reported a 70% reduction in fentanyl seizures from October to March compared to the previous year, and Sheinbaum announced a 33% reduction in the murder rate since taking office on October 1. However, on April 23, the Jalisco Cartel undertook an unprecedented mobilization of its forces, concentrated in the state of Michoacán, which the government was unable to prevent or contain. Ten days later, the Wall Street Journal revealed that in his April 16 call with Sheinbaum, Trump offered to send the U.S. military forces into Mexico to help fight organized crime. Sheinbaum flatly rejected the request. Later that day, Trump commented on Fox News that the cartels continue to control much of Mexico, which is why “we want to help.” After the news leak, Trump went further, insinuating that Sheinbaum, despite being a “lovely woman,” had rejected his offer because “she is so afraid of the cartels that she can’t even think straight.”

While the U.S. government continues to appreciate Mexican security cooperation, the military card remains very much on the table, as further evidenced by Terrance Cole’s recent statements. Trump’s nominee to lead the Drug Enforcement Administration, Cole estimated in his Senate confirmation hearing that cartels control the majority of Mexico and restated the Trump Administration’s position: Mexico is cooperating, but it is not doing enough. In particular, he emphasized, as he has for years, the need to act against politicians and police who are working with the cartels—something that would be extremely difficult for Sheinbaum to address politically, as we have noted previously.



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