



Monthly Political Report for Energy Clients

September 2025



The August political doldrums were not evident this year in either Mexico or the United States, leading to a more extensive monthly report than usual.

The month culminated with its most significant events: President Sheinbaum's first State of the Union address on September 1 and the swearing-in of Mexico's newly elected Supreme Court. The following day, U.S. Secretary of State Marco Rubio arrived in Mexico City for a productive and stabilizing meeting with Sheinbaum, during which he extolled Mexico's security cooperation.

In Mexican politics, Sheinbaum backed down and Ricardo Salinas Pliego stepped up. The president papered over divisions within her Morena party, unable and unwilling to exploit them to her advantage. And despite the PRI party's continued decline, a new opposition figure emerged—Ricardo Salinas Pliego, one of Mexico's wealthiest individuals, who signaled his willingness to run for president in 2030.

Sheinbaum is not backing down on electoral reform. Although she postponed electoral changes until early next year, they still promise to alter the political playing field in favor of Morena and Sheinbaum. Nor is she rethinking her opposition to fiscal reform. Instead, her blueprint for the 2026 budget will arrive to Congress on September 8, featuring only minor



tax increases, along with continued efforts to expand tax and customs collections. In energy, the administration unveiled a ten-year strategy to reduce Pemex's debt and augment investment, while also announcing large investments in the electricity grid and a proposed solar thermal plant—or two—in Baja California Sur.

Finally, critical U.S. rhetoric and coercive pressure on Mexico continued to be the foundation for bilateral security cooperation, including Mexico's extradition of 26 drug lords to the United States. In trade, Mexico is adapting to Trump's new international economic order, albeit from a defensive position that will carry into the USMCA review, the start date of which remains unclear.

A Busy First Day of the Month

On September 1, President Sheinbaum delivered her first State of the Union address, enumerating the successes of the Fourth Transformation initiated by AMLO. This included ending neoliberalism, reducing poverty and inequality, and sustaining macroeconomic stability. She argued that Mexico now has a more democratic justice system. She also pointed to her administration's achievements, such as promoting private investment while guaranteeing fair wages, a reduction in violence, and a respectful relationship with the United States. Left unsaid were the huge challenges ahead of her, such as the fiscal straitjacket she inherited from AMLO, reviving stagnant economic growth, renegotiating a USMCA favorable to Mexico, and making further advances on the security front under constant U.S. pressure.

Concluding her speech, Sheinbaum attended the swearing-in of the new members of Mexico's Supreme Court, along with over 800 federal judges and magistrates (plus hundreds of state-level judges sworn in around the country). Mexico's one-of-a-kind experiment of electing all its judges has created a new, inexperienced, and ill-prepared judiciary, often lacking trained staff to support them. According to new Supreme Court President Hugo Aguilar Ortiz, however, this experiment will also create a more legitimate judicial system—one closer to the people and more protective of their interests against the elite whom the system used to favor. Regardless, it will certainly generate uncertainty in the judicial process in the coming months and years, with the second round of judicial elections set for 2027.

Mr. Rubio Finally Visits Mexico

After months of anticipation, U.S. Secretary of State Marco Rubio met with President Sheinbaum at the National Palace on September 3, sending a clear message that while Mexico matters, it is far from the administration's top priority. The message conveyed by his meeting with the president, however, was more reassuring. The two governments signed a memorandum of understanding on security cooperation, including the creation of a high-level implementation group to oversee continued collaboration that respects Mexican sovereignty. In the ensuing press conference with the Mexican foreign minister, Rubio further stated: "No government is cooperating more with us in this moment than the government of Mexico, of President Sheinbaum."

A Façade of Morena Party Unity

Visible divisions within Morena persisted last month, yet Sheinbaum opted not to move against any Morena powerbrokers with whom she has clear disagreements. When she met with two of them—her legislative party leaders, Adán Augusto López and Ricardo Monreal—she kept the conversation to legislative matters. Later, in one of her morning press conferences, Sheinbaum denied there is any evidence of ties between politicians and organized crime (other than in municipalities). She also appears to have arranged the public reconciliation between her Morena party leader, Luisa María Alcalde, and the party's number two, AMLO's son Andrés Manuel López Beltrán.

Rather than removing these problematic allies, Sheinbaum papered over her differences with them to create a façade of party unity. She did so for at least three reasons: 1) she lacks political allies with which to replace them; 2) she lacks the political leeway relative to AMLO to cashier his allies despite polling that shows her popularity remains above 70 percent; and 3) her strong loyalty to AMLO prevents her from taking actions he might perceive as contrary to her promise to protect his allies.

The PRI Saga Continues, but a New Opposition Figure Emerges

Mexico's former ruling party is a shadow of its former self, losing yet another Senator—this time to the *Movimiento Ciudadano* party. This shift drops the PRI from the third to the fourth largest party in the Senate, costing it a seat on the Senate's governing board (the *Mesa Directiva*). At the same time, the belligerence of party leader Alejandro "Alito" Moreno only



increases. Not only has he continued to attack Morena as a “narco-party” with ties to drug traffickers, but he also got into a fistfight with Morena’s Senate leader during a governing board meeting. These actions increase the probability that the leader of the PRI will be stripped of his congressional immunity and tried on corruption charges.

Meanwhile, one of Mexico’s wealthiest individuals, Ricardo Salinas Pliego, made public what has been brewing for months: he would “consider” running for president in 2030. Although close to AMLO for much of his presidency, the two had a falling out, and Sheinbaum harbors no affection for him. This is reflected in an ever-increasing government tax bill that Salinas Pliego has been fighting in court—a petition that seems destined to fail under Mexico’s new Supreme Court. In this context, he has concluded that “if we do not create a better future for our country, our children, grandchildren, and great-grandchildren are going to complain” and “if it’s necessary [to run for president], I will do what is necessary.”

The Coming Electoral Reform

Sheinbaum announced that she will introduce an electoral reform during the February-April 2026 congressional session, following a review by a presidential commission that will study the issues and make recommendations. The make-up of the commission, however, suggests little room for negotiation. Indeed, the commission’s president, longtime leftist politician and AMLO ally Pablo Gómez, has made plain his support for many of Sheinbaum’s (and AMLO’s) preferred reforms. These include a sharp reduction in government funding for political parties and the National Electoral Institute (INE), the election of INE members, a reduction in the number of proportional representation seats that favor small parties, and a change in how these seats are filled to weaken the ability of party leaders to determine who occupies them.

Weakening the INE is a long-standing demand of AMLO, as is reducing government support for political parties. Changing how proportional representation seats are filled, however, displays Sheinbaum’s political needs. It would weaken opposition parties by depriving their leaders of guaranteed congressional seats and, potentially more importantly, could weaken key Morena powerbrokers for the same reason—thereby strengthening Sheinbaum’s influence over Morena legislators.



No New Taxes: The Likely Content of the 2026 Budget

The government's proposed 2026 budget will be presented to Congress on September 8 and will not include increases in income or value-added taxes, despite a severe shortage of government revenue. Instead, balancing the budget will rely on four measures: continued austerity in spending, improved tax collection—now with the help of artificial intelligence—higher “sin” taxes on products such as alcohol, tobacco and sugary drinks, and increased customs revenues. The latter is reported to include both higher tariffs on Chinese imports and a revision of the customs system to augment its efficiency (customs receipts have already risen 28.5% in the first five months of this year).

Pemex and CFE Unveil Key Investments, Electricity Regulations Still Pending

In early August, President Sheinbaum unveiled a ten-year strategy to reduce Pemex's debt and boost investment. The finance ministry will raise an additional \$13 billion to help stabilize the firm's finances. Pemex will also undertake capacity improvements and new projects, including investment in natural gas extraction from “complex geologies.” This phrase initially created the impression that Pemex would begin fracking, something AMLO long opposed. The following day, the firm clarified that fracking was off the table and that “complex geologies” did not refer to shale deposits, where fracking is common.

Three weeks later, the Federal Electricity Commission (CFE) announced an \$8.2 billion investment over five years to expand the electricity grid and enhance its reliability and security. This investment includes 275 new strategic transmission lines that will add 6,735 km to the grid and 524 substations. And at the end of the month, the CFE also announced it is considering an \$800 million investment to build Mexico's first solar thermal plant in Baja California Sur, aimed at replacing current fuel oil and gas generation and augmenting the country's clean energy capacity. Discussions this week with both SENER and CENACE highlight the administration's strategic commitment to expanding Mexico's energy matrix through green hydrogen, offshore wind, and other emerging technologies. These priorities create a favorable policy environment for private capital and international partnerships, particularly in projects that align with Mexico's decarbonization and industrial competitiveness goals. For investors, this might translate into near-term entry points and long-term growth opportunities.



Returning to Pemex, President Sheinbaum's first government report (*primer informe*), delivered to Congress on September 1, noted that the state-owned oil company has signed its first 11 mixed contracts with both domestic and foreign private partners to bolster its dwindling hydrocarbon production. Through these contracts, Pemex expects to raise about \$8 billion and increase output by 70,000 barrels of oil and 610 million cubic feet of natural gas per day. Building on this initial phase, Pemex aims to close 21 mixed development schemes this year, which could ultimately add up to 450,000 barrels of crude oil per day of production by 2033.

Meanwhile, the long-anticipated regulations that will guide the Electricity Sector Law (*Ley del Sector Eléctrico, LESE*) are expected to be published on or around September 17. A key document to guide private investments, the Electric System Development Plan (*Plan de Desarrollo del Sistema Eléctrico, PLADESE*), however, might not be published until the second trimester of 2026.

Continued Tensions in U.S.-Mexico Security Affairs

Rhetoric critical of Mexico continued to emanate from the Trump administration, even as bilateral collaboration persisted across all issues. This is reflective of a division within the administration over how best to deal with Mexico: either through military intervention or via diplomatic cooperation, albeit under a strong foundation of coercion. This division surfaced in the media last month in two articles: a *Rolling Stone* piece citing sources who argued that Trump wants to use force against Mexico, and a *Wall Street Journal* op-ed citing sources who insisted that the use of force would be counterproductive. The outcome of the Rubio-Sheinbaum meeting suggests that the more diplomatic approach has won the day, at least for now.

Coercive pressure, however, is apt to continue due to a U.S. conviction that, despite Sheinbaum's best efforts, Mexico still is not doing enough to prevent fentanyl from flowing into the United States. Mexico interpreted Trump's decision to order the military to begin planning attacks against drug cartels—and the ensuing deployment of a naval task force to the southern Caribbean—in this light. The guilty plea in U.S. federal court by Ismael “El Mayo” Zambada García, one of the founders and leaders of the Sinaloa Cartel, added pressure on Mexico out of fear that he would name politicians and military leaders he bribed over a lifetime of drug trafficking. In this context, Sheinbaum authorized the extradition of



another 26 drug lords to the United States while loudly demanding respect for Mexican sovereignty.

Mexico, the USMCA, and the New World Trade Order

On August 7, U.S. Trade Representative Jamieson Greer published an op-ed justifying the administration's efforts to remake the global economic order. At the same time, President Trump announced upcoming Section 232 tariffs on pharmaceuticals, chips, and semiconductors, and at the end of the month ended tariff-free access to the U.S. market for small packages worth less than \$800.

As the United States' largest trading partner—exporting pharmaceuticals, computer chips, and thousands of small packages—Mexico was once again directly in the line of fire. Its reaction was muted, however, in part because the effective tariff rate on Mexican exports (the tariff exporters pay) is about 4%, below that of most other countries and well under China's rate. It is also due to the Sheinbaum administration's willingness to accept a new, high tariff setting that allows it to protect domestic producers from foreign competition. The first target was Asian, especially Chinese, footwear, which now faces high tariffs.

Finally, Mexico's focus remains on the USMCA review, and specifically on steel, autos, and auto parts, where it appears likely to play defense to protect its interests against Trump's pressure to bring manufacturing back to the United States. Within the next month, the Office of the U.S. Trade Representative will begin public consultations on renegotiating the deal, a process required by October 4 under the 2020 law that implemented the pact. The *Wall Street Journal* reported on September 4 that sources familiar with the administration's thinking say a request for comment from companies and unions could be issued as soon as this week, though Trump's team has previously indicated to stakeholders that a request was imminent before delaying its release.

When the USMCA review/renegotiation will get underway, however, is unclear. Although Sheinbaum recently suggested that talks would begin in September 2025, neither the United States nor Canada has confirmed this schedule. The confusion over dates, however, is due to the absence of an established timeline in the USMCA text. The agreement also lacks clarity on the difference between a review and a renegotiation, leaving the door open for a broad revision of the agreement during the 2026 review.



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