



Monthly Political Report for Energy Clients

October 2025



Executive Summary

Despite successful meetings between President Claudia Sheinbaum and U.S. Secretary of State Marco Rubio, as well as Canadian Prime Minister Mark Carney, little changed on the trade front last month. The Sheinbaum team was unable to obtain additional concessions from the United States, even with an evidently good relationship with the Trump administration, especially on security. Instead, it faced new trade threats, including the ongoing investigation into medical devices, President Donald Trump's call for a 100% tariff on patented pharmaceuticals and 25% on heavy-duty trucks, and U.S. musings about dual bilateral USMCA negotiations. Meanwhile, all three USMCA member countries opened public comment periods regarding the review of the Agreement, though the timing of the actual negotiations remains unclear.

Domestically, the Sheinbaum administration busted a huge contraband gasoline network, pleasing the United States and advancing her push against this fiscally costly crime. At the



same time, accusations of wrongdoing continued to pile up against Sheinbaum's rival and Morena Senate leader, Adán Augusto López. The extent to which Sheinbaum can advance on both fronts, however, is politically fraught due to the danger of moving against AMLO allies and family members. On the other hand, the risk posed to Sheinbaum by Mexico's new outsider businessman/politician, Ricardo Salinas Pliego, is quite low for now, and the government's budget proposal was generally well-received by analysts and markets.

The new tariffs accompanying the budget, however, proved more controversial. Aimed at China in large measure to please the Trump administration, they received a lukewarm reception in Washington while prompting a broad Chinese probe into Mexican tariffs, including anti-dumping investigations, and implicit threats to reduce investment. Equally contentious, Sheinbaum's reform of the Amparo Law is being fast-tracked for congressional approval. This law will significantly limit the ability of individuals and firms to use this legal tool to protect themselves from government overreach, especially in tax matters and concessions. Finally, a Mexican magnate agreed to purchase a 25% stake in Banamex from Citibank though another wealthy businessman stepped in with a slightly higher offer for 100% of the bank, which Citibank turned down.

On the energy front, the government published the long-awaited regulations that will guide the Electricity Sector Law presenting no major surprises but leaving key definitions pending, and the government announced that Pemex's debt will be cut to \$80 billion from over \$100 billion by the end of Q3.

Visiting Dignitaries

On September 3, President Sheinbaum welcomed U.S. Secretary of State Rubio to the National Palace, resulting in a memorandum of understanding on security policy and a new binational committee to oversee its implementation. Beyond security, the Department of



State noted that Rubio “emphasized the importance of resolving trade barriers and non-trade barriers” and presented Sheinbaum with a long list of such barriers. Economy Minister Ebrard later identified three as the most important for the United States: (1) contraband, (2) patent approvals and commercial authorizations for the medical and pharmaceutical industries, and (3) the operation of Mexico’s new anti-monopoly commission, a matter Ebrard insisted was largely resolved.

Two weeks later, Sheinbaum met with Canadian Prime Minister Mark Carney on a visit designed to repair damaged bilateral relations, craft a plan for deeper political and economic interaction through 2028, and establish coordination for the upcoming USMCA review/renegotiation. The September 18 meeting—the first in seven years between the two countries’ heads of state—was a clear success, with both sides agreeing to continue regular high-level contacts to implement a Mexico-Canada Action Plan, 2025-2028.

Tariffs and the USMCA

The Sheinbaum-Rubio meeting did not alter Mexico’s status under the International Emergency Economic Powers Act (IEEPA) tariffs, designed to coerce Mexican cooperation on migration and drug trafficking. It did, however, help demonstrate U.S. satisfaction with Mexican collaboration. Secretary Rubio noted that no country cooperates better with the United States on drug trafficking than Sheinbaum’s Mexico, and later in the month, U.S. Ambassador Ronald Johnson augmented his consistent praise for Sheinbaum’s security policy by calling it an “audacious change.” Nevertheless, “much remains to be done” according to a September 22 White House statement on drug policy cooperation. These statements mean that the United States is currently unlikely to send its military into Mexico uninvited, but it is also unlikely to give Mexico a reprieve from the coercive force of the IEEPA tariffs.



The U.S. Supreme Court could give Mexico a reprieve in November if it rules Trump’s expansive use of IEPPA tariffs is unconstitutional, but this would not resolve Mexico’s tariff dilemma. Not only is the Trump administration ready to use other tariff tools if needed, but the ever-growing list of Section 232 tariffs poses an even bigger problem for Mexico. Beyond the current Section 232 tariffs on steel, aluminum, autos, and auto parts, the ongoing investigations into medical devices (as well as robotics and industrial machinery) are now in the public comment period. Further, Section 232 investigations will continue despite the current U.S. government shutdown.

Meanwhile, President Trump announced on Truth Social new tariffs of 100% on patented pharmaceuticals and 25% on heavy-duty trucks. The pharmaceutical tariffs are unlikely to have a big impact on Mexico, as they exclude generics and patented drugs sold by companies producing or currently building a facility in the United States, which includes most major drug manufacturers. The latter is more problematic since Mexico produces 80% of the heavy-duty trucks imported into the U.S. market. The Mexican government announced that it will once again try to obtain preferential treatment for its exports.

On September 17, the three USMCA countries initiated their public comment periods ahead of the upcoming review/renegotiation—lasting 90 days in the United States, 60 days (potentially extendable by 30 days) in Mexico, and 45 days in Canada. The start date of the negotiations, however, remains unclear. Mexico continues to push for an early start date, but it faces a U.S. Trade Representative’s office currently swamped with work stemming from Trump’s reciprocal tariffs. The USTR also continues to work on the assumption that the discussions will be a “review” of the agreement because the administration lacks the Trade Promotion Authority needed to facilitate a renegotiation. A recent speech by Robert Lighthizer, Trump 1.0’s trade representative who is still close to the U.S. president, however, strongly suggests it will be a renegotiation. Lighthizer told his Mexico City audience to get



ready for a tough renegotiation due to Trump's determination to rework global trade, reduce the U.S. trade deficit, and deal with China.

Echoing these comments, in early October U.S. Trade Representative Jamieson Greer noted a current lack of Mexican compliance with the USMCA in energy, telecommunications, and agriculture, arguing "it does not make a lot of sense to talk about extending the USMCA or updating it when Mexico is not even complying with important parts of it." After expressing hope that ongoing discussions with Mexico will resolve these issues, he said, "I think a lot of our actual negotiations going forward will probably be almost bilateral." President Trump piled on to this sentiment during an October 7 meeting with Canadian Prime Minister Mark Carney. Regarding the USMCA, Trump stated, "We could renegotiate it, and that would be good, or we can just do different deals." President Sheinbaum responded the following day arguing that a review of a trilateral treaty must, by law, also be trilateral.

A final note on the USMCA: Mexico's undersecretary for industry and trade at the Economy Ministry, Vidal Llerenas Morales, announced a new make-up for the business sector group that accompanies the Mexican USMCA delegation. Instead of focusing on business leaders, the delegation will open participation to a wider cross-section of interested parties, including representatives from each strategic sector in every region of the country.

Sheinbaum Closes Massive Corruption Ring

On September 7, Security Secretary García Harfuch announced the dismantling of a massive gasoline contraband ring. It was led by two vice-admirals (nephews of the former navy secretary, Rafael Ojeda) and included other navy officers, businessmen, and organized crime figures. Both President Sheinbaum and the current navy secretary said they would get to the bottom of this crime network, letting the chips fall where they may. They have three motivations: 1) the real embarrassment within the Navy over the damage this has caused to



its image as an efficient, clean security agency and a trustworthy crime-fighting partner of the United States; 2) the enormous fiscal cost of this contraband trade for a government operating under very tight fiscal constraints; and 3) pressure from the United States to move against this lucrative source of income for organized crime. Nevertheless, the likelihood of seeing Sheinbaum's promised "zero impunity" for this crime is slim. Such a strategy could implicate Admiral Ojeda, who is close to former President Andrés Manuel López Obrador (AMLO), as well as AMLO's sons, who are rumored to be involved in a different gasoline contraband operation. Moving against these individuals would inevitably create a rift with AMLO, something Sheinbaum will not consider.

A Morena Powerbroker on Political Life Support

A more vulnerable AMLO ally is Morena's leader in the Senate, Adán Augusto López. The former governor of Tabasco and former interior minister is up to his neck in scandals. The most troubling involves his state security secretary, Hernán Bermúdez. According to leaked military intelligence documents, Bermúdez ran a crime syndicate from his government post. Despite having oversight of Bermúdez, López continues to protest his innocence, acting as though he enjoys complete impunity due to his close association with AMLO. Indeed, Sheinbaum continues to insist there is no evidence against him, despite Bermúdez's recent arrest, and no investigation into López's potential involvement has begun.

A recent leak from Mexico's tax agency has deepened López's problems. The leak shows that López earned millions from "business and professional activities" while working full time as interior minister and later as a presidential candidate—a very bad look for a government that insists on austerity and probity. He also failed to pay most of the taxes owed on this income, for which he offered no legitimate explanation. This revelation comes on the heels of a summer beset by repeated scandals involving other Morena politicians, leading to a six-point decline in support for Sheinbaum's Morena party, from 51% to 45%. Multiple sources



report that Sheinbaum and most Morena senators have lost confidence in López, indicating that his political authority is spent. Resolving what to do with him, however, remains politically delicate and could take time.

Ricardo Salinas Pliego: A Serious Political Contender?

In mid-September, businessman Ricardo Salinas Pliego formed a new political movement, the Anti-Crime and Anti-Corruption Movement (MAAC), inviting Mexican citizens to join his resistance to Morena governance. Positioned on the right politically, he says the country is in the hands of “dangerous people,” “communists” with a “perverse ideology,” who need to be replaced to reestablish “life, liberty, and property” in Mexico. Nevertheless, Salinas Pliego is not yet a serious contender to lead the political opposition in Mexico.

First, Mexico lacks a large, discontented segment of the population seeking an outsider politician who makes them feel heard and promises to respond to their economic and social grievances. Such a segment—an essential political foundation for populist leaders on the right or left—once existed in Mexico, but it was co-opted by AMLO and his Fourth Transformation government.

Second, Salinas Pliego is beset by legal and financial problems. He is being sued in U.S. court by TV Azteca bondholders for non-payment and by AT&T for a Mexican tax bill he failed to pay before selling his Iusacell mobile phone business to the giant U.S. telecom company. He is also fighting the Mexican government in court over a massive and ever-growing tax bill (now equal to the market value of one of his core companies, Elektra) which Salinas Pliego insists is excessive and politically motivated. Meanwhile, the government says he cannot register as a political candidate until the tax bill is paid.

Salinas Pliego’s lawsuit against the government has reached the Supreme Court, but the new, post-election Court seems unlikely to rule in his favor. Not only is it ideologically biased



in favor of Sheinbaum's government, but the Court's self-described new mission is to serve most Mexicans rather than the elite. Further, the Court's new and inexperienced justices dismissed most of their inherited court staff along with their experience, replacing them with inexperienced political allies, friends, and family. In this context, there is apt to be an anti-elite bias in initial Court rulings, which does not bode well for Salinas Pliego.

The Economy: A Little Less Bad

The announcement that the Mexican economy contracted 1.2% in July came soon after the IMF and the OECD raised their estimates of Mexican growth this year to 1% and 0.8%, respectively. These more optimistic projections reflect export growth, which remains robust despite Trump's tariffs, driven by non-automotive manufactured goods. At the same time, markets expect the Bank of Mexico to continue cutting interest rates to promote growth. Although this panorama is less bad than at the start of the year, the Mexican economy continues to limp along.

Institutions and markets were also reassured by the Executive Branch's 2026 budget draft, presented to Congress on September 8. Based on optimistic but not unrealistic economic estimates, the budget is austere due to the large, inherited fiscal deficit. It includes an estimated 5.7% growth in tax receipts, driven by further improvements in tax collection aided by AI, and a huge expansion of customs revenues resulting from higher tariffs and efforts to combat contraband and tax evasion. Increasing customs revenues necessitated modifications to Mexico's Customs Law, which is moving quickly through Congress despite private-sector concerns. Industry worries that procedures designed to fight contraband could themselves become new barriers to trade, pointing specifically to the new Customs Council, led by Hacienda, which has the authority to grant and revoke customs permits.



New Tariffs Earn China's Wrath

Higher customs revenues will also come from a series of tariff increases on imports originating from countries with which Mexico does not have an existing free trade agreement. This will affect 1,463 products, including steel, textiles, autos, auto parts, toys, footwear, home appliances, and Chinese-made vehicles (including EVs), which will now have a 50% tariff. The government argued that these tariff increases are part of Plan México, its effort to increase domestic production of previously imported manufactured goods. But they also responded to U.S. concerns about Mexican imports from China, particularly the potential for re-exporting Chinese goods to the United States through Mexico.

China immediately issued a sharply worded response, warning Mexico to “exercise extreme caution” in implementing a tariff policy “seen as appeasement and compromise toward unilateral bullying.” Later in the month, China launched a broad investigation into Mexican tariff policy and the potential dumping of Mexican goods in the Chinese market. The Chinese commerce ministry further warned Mexico of negative trade and investment implications, clearly concerned that other countries might follow Mexico’s lead: “Against the backdrop of the current U.S. abuse of tariffs, all countries should jointly oppose all forms of unilateralism and protectionism and should never sacrifice third-party interests due to coercion from others.”

The implications for Mexico remain unclear. Mexico insists that its actions are driven purely by Plan México. Economy Minister Ebrard met with the Chinese ambassador to drive home this point, and President Sheinbaum called for a high-level dialogue to reduce tensions. Further, China lacks significant trade leverage over Mexico—it imports relatively little from Mexico, and 40% of that trade is copper, an essential import which has been excluded from the anti-dumping investigations. The Chinese government, however, does hold influence over Chinese companies operating in Mexico or considering investing there.



Controversial New Amparo Law Approved by Senate

On October 1, the Senate approved revisions to the Amparo Law that limit the use of these injunctions, which are designed to protect individual rights against government actions. The government argues that the changes will prevent abuse of the provision and speed up and modernize legal proceedings. The changes mean that an Amparo can no longer have a general impact and can only apply to the individual requesting legal protection. The new law also restricts the ability of courts to grant an Amparo in cases related to tax collection, public debt, and government concessions. It sets time limits on court proceedings—six months for tax matters and between four months and a year for criminal cases—and allows for digital filings in Amparo cases. Finally, the Senate modified the executive's proposal so that it applies to all Amparo cases currently winding their way through the court system. President Sheinbaum immediately expressed her discontent with this change (a political maneuver by Adán Augusto López to test his power) and called on the Chamber of Deputies to reverse it during their review and vote.

The government's core objectives with this reform, in addition to modernizing and speeding up the injunction process, are to prevent Amparo abuse, particularly in cases involving tax collection and money laundering. It also prevents individuals from using an Amparo to challenge the constitutionality of laws and prevents courts from blocking their implementation while being challenged in the courts. This was a key criticism of Mexico's legal proceedings by President López Obrador, especially when Amparos was used to block the implementation of his energy reforms. Private sector associations strongly criticized these changes, arguing that they erode a key constitutional check against potential state overreach. The legal community has broadly criticized the new law, arguing that it will weaken human rights protections by requiring proof of a "direct injury" from any government action to file an Amparo.



Banamex Sale Underway

One of Mexico's most respected businessmen, Fernando Chico Pardo, agreed to purchase a 25% stake in Banamex from its current owner, Citibank, for \$2.3 billion. This is a big win for the Sheinbaum administration. Like her predecessor, President Sheinbaum advocated for the return of this important and storied Mexican bank to national ownership. Perhaps more significant, in his statement announcing the purchase, Chico Pardo said the decision is evidence of his confidence in Banamex, in Mexico, and in the Sheinbaum government. Mexico's second wealthiest businessman, Germán Larrea, made an ensuing offer for 100% of the firm, which Citibank turned down.

Energy Regulations Finally Published

On October 3, a package of energy regulations stemming from the secondary legislation passed in February was finally published in the Official Gazette. The package includes regulations for:

- Electricity Sector Law (LSE)
- Planning and Energy Transition Law
- Hydrocarbons Sector Law
- Geothermal Energy Law
- Biofuels Law
- Hydrocarbons Income Law

At first glance, the electricity regulations are in line with the spirit that guided the changes to Articles 25, 27, and 28 of the Constitution and the LSE, presenting no major surprises. The regulations, however, leave important components to be addressed through subsequent administrative decisions, such as electricity storage and the recognition of ancillary services; the binding planning process; and, importantly, how the market percentage to



reach CFE's 54% will be calculated, which will be defined in the Electricity Sector Development Plan to be published by the end of May 2026. For these reasons, we remain cautiously optimistic about growth opportunities and will provide a more detailed analysis of the regulations soon.

It is worth noting that the publication of the regulations was originally scheduled for mid-September; however, the announcement of the U.S. government's initiation of public consultations under the USMCA prompted Mexican authorities to delay their release. The legislation's emphasis on strong government control over new project development, along with its preferential treatment of CFE, will likely create tensions in the upcoming review of the trade agreement, as noted in the "Tariffs and USMCA" section above.

In other news, the Yucatán Peninsula suffered a massive blackout on September 26 due to transmission problems, serving as a reminder of the stress under which Mexico's electricity system operates. Hopefully this event will accelerate CFE's plans to upgrade its transmission lines and open the door for stand-alone energy storage (BESS) projects.

Meanwhile, the Mexican government sold another \$13.5 billion in bonds last month to help Pemex retire international debt. According to Finance Minister Amador, with government support, Pemex's debt will be cut to \$80 billion from over \$100 billion by the end of Q3. Nevertheless, the firm remains the world's most indebted petroleum company, still owing billions of dollars to suppliers and contractors. To make matters worse, crude prices remain under pressure from oversupply, a situation further complicated by OPEC+ signaling an additional 500,000 bpd increase in November, which could significantly impact the company's financial performance.

* * * *



This report is a publication of Monarch Global Strategies LLC (all rights reserved) and is provided exclusively to our clients. The Editorial Team includes Dr. Pamela Starr and Pedro Niembro with support from the entire Monarch team.

The Monarch Global Strategies Team

Michael C. Camuñez

President & CEO
mcamunez@monarch-global.com
Los Angeles

James R. Jones

Chairman
jjones@monarch-global.com
Washington, D.C.

Luis Ricardo Rodríguez

Managing Partner
lrodriguez@monarch-global.com
Monterrey

Geoffrey G. Jones

CFO & SVP Development
gjones@monarch-global.com
Washington, D.C.

Pamela K. Starr

Senior Advisor
pstarr@monarch-global.com
Los Angeles

Juan Pablo López Rojas

Senior Analyst
jplopez@monarch-global.com
Washington, D.C.

Pedro Niembro

Senior Director
pniembro@monarch-global.com
Mexico City

Juan Casillas

Senior Advisor
jcasillas@monarch-global.com
Mexico City

Gerardo de la Peña

Senior Advisor
gdelapena@monarch-global.com
Mexico City

Begoña Sánchez

Director
bsanchez@monarch-global.com
Monterrey

Patricio M. Martínez

Senior Associate
pmartinez@monarch-global.com
Monterrey

Gabriel Cavazos

Senior Advisor
gcavazos@monarch-global.com
Monterrey / Mexico City