



# Monthly Report on Mexican Politics, the Economy, Energy, and U.S.-Mexico Relations

February 2026



## Executive Summary

The USMCA review took important steps forward this past month, albeit alongside several setbacks for the negotiation process. The United States and Mexico agreed to initiate formal talks toward the USMCA review focused on key structural issues, and they initiated discussions for a critical minerals agreement. But the agreement to begin USMCA talks did not mention Canada, in part because Prime Minister Mark Carney’s trip to China and his subsequent Davos speech raised hackles in the White House. Simultaneously, President Trump’s threat to raise tariffs by 100% on European nations opposing his desire to control Greenland, just months after reaching a trade agreement with the European Union, is a stark reminder that he is unlikely to respect whatever agreement is reached in the USMCA review. And a series of unrelated U.S. actions made it politically more difficult for Mexican President

Sheinbaum to continue cooperating with the United States, especially on security matters, which are plainly linked to trade negotiations.

In domestic Mexican politics, two developments should help increase President Sheinbaum's governing authority. Adán Augusto López, the Morena leader in the Senate backed by former President Andrés Manuel López Obrador (AMLO), stepped down. But he will remain a senator, and rather than leaving politics, he will become a political coordinator for the 2027 midterm elections. Meanwhile, despite initially strong opposition from two allied political parties, it appears that President Sheinbaum will be able to push through key elements of her electoral reform. The legislature will approve this reform during its current session, making it the law under which the 2027 midterm elections will be held.

In the economy, President Sheinbaum met separately with bankers and automotive executives to discuss how the state and the private sector can work together to promote investment and growth. The president also announced government infrastructure investments amounting to 2% of GDP this year and another 15% of GDP through 2030 to reverse the persistent decline in business confidence and promote investment and growth.

### **USMCA: Three Steps Forward, Two Steps Back**

Despite President Trump's continued rhetorical ridicule of the USMCA, saying on January 13 that "there's no real advantage to it, it's irrelevant," the United States and Mexico made important progress on the USMCA review. On January 28, Mexican Economy Minister Marcelo Ebrard and U.S. Trade Representative Jamieson Greer agreed to open formal talks in the context of the USMCA review. These talks will focus on rules of origin for key industrial goods, the harmonization of foreign trade policies to defend workers and combat dumping (e.g., China), and increased collaboration on critical minerals. A week later, at a U.S.-organized multinational critical minerals summit, Mexico and the U.S. agreed to develop a

new, preferential trade paradigm for the critical minerals supply chain, including price floors, regulatory standards, research and development, investment promotion, and more. Marcelo Ebrard also revealed that the two sides agreed not to reopen the USMCA but instead to make specific changes through side agreements, affirming that it will be a review, not a renegotiation.

These advances, however, took place in a challenging U.S. trade context shaped by President Trump's tariff threats. Canadian Prime Minister Mark Carney's trade trip to China to sign a minor trade agreement elicited a 100% tariff threat from President Trump. Although the threat was soon reversed, the episode strained bilateral relations. Carney's subsequent speech at Davos, in which he said a new world order is being born and that middle powers need to band together both to stand up to the United States and to help craft the new order, further reinforced tensions. As a result, the climate for U.S.-Canada relations heading into the USMCA review remains fragile.

Equally troubling, in his quest to control Greenland, Trump threatened several European countries with a 100% tariff because they backed Denmark's claim to the territory. Even though Trump soon withdrew this threat, it was not lost on the European Union that this was a direct violation of the trade agreement they had just reached with the United States in July last year. In short, Donald Trump feels free to impose tariffs at will, regardless of established trade agreements, reminding everyone that he is likely to ignore the terms of any new agreements reached through the USMCA review should he decide it benefits him to do so.

### **U.S.-Mexico Relations: Another Step Back**

Under persistent pressure to allow U.S. forces to participate in drug-operation raids on Mexican soil, President Sheinbaum again tried to thread a needle (following the Venezuelan needle in [last month's report](#)). This time the eye of the needle is created by U.S. security

demands and domestic political limitations on what President Sheinbaum can permit while retaining enough legitimacy to govern effectively. In addition to her nationalist coalition, a recent *El Financiero* poll showed that 78% of Mexicans oppose allowing U.S. military forces into Mexico to fight criminal groups. Nevertheless, and despite another apparently productive Trump-Sheinbaum call, the United States repeatedly pulled the rug out from under President Sheinbaum's feet.

The director of the Federal Bureau of Investigation (FBI), Kash Patel, visited Mexico City on January 23. Three days before his visit, the Mexican government sent another 37 drug criminals to the United States (for a total of 92), and Patel returned home with two of the FBI's ten most-wanted criminals arrested in Mexico. This included a Canadian drug trafficker, Ryan Wedding, who the Mexican government (and the U.S. Ambassador) said had turned himself in at the U.S. Embassy after having been pursued by Mexican forces. After returning to the U.S., however, FBI Director Patel stated that FBI agents had arrested Wedding, implying that armed American agents were operating in Mexico. But this has been a red line for Mexican security cooperation with the U.S. since it was imposed by former President López Obrador in 2020, rendering any violation politically precarious for President Sheinbaum. In short, it seems Patel failed to honor an informal agreement that the operation would remain secret, making it very hard for the president to authorize similar operations in the future.

In the case of Mexican oil shipments to Cuba, President Sheinbaum repeatedly insisted that the decision to cancel a shipment, following the U.S. capture of former Venezuelan President Nicolás Maduro, was a sovereign decision rather than a response to a formal U.S. request. This is a very important distinction for the president's leftist political coalition, where many actors, including AMLO, continue to support Cuba strongly. Nevertheless, hours after a cordial and productive call with President Sheinbaum, in which Cuba was never mentioned

according to the Mexican president, President Trump signed an executive order calling for tariffs on any country that sends oil to Cuba. Since Mexico became Cuba's main oil supplier in December, this transformed what had been an implicit preference into public coercion. Further, in a press scrum aboard Air Force One, Trump directly contradicted Sheinbaum, saying he asked her to stop sending oil to Cuba and that she did so. Given President Sheinbaum's oft-stated nationalist conviction that cooperation with the United States is possible but submission is not, this U.S. behavior unnecessarily humiliated the Mexican government by publicly revealing apparent capitulation.

Finally, President Trump reversed a long-standing U.S. tradition of ignoring the anniversary of the end of the U.S.-Mexico War (1846-1848) by issuing a commemorative statement on February 2. He lauded the conflict as a great U.S. victory, despite the questionable legality of the U.S. justification for prosecuting the war, Mexico's consequent loss of over half its territory to the United States, and the fact that every Mexican learns about this painful bilateral experience in school. Trump's statement united most of Mexico's sharply polarized political elite in feeling insulted and humiliated. This clear provocation elicited a strong Mexican response, with President Sheinbaum stating the next day that her government will always defend Mexico's sovereignty and in her February 5 Constitution Day speech that Mexico will never accept foreign intervention or meddling. Her words were echoed by the PAN governor of Querétaro, saying Mexico does not accept foreign dictates and will always have the president's back.

Trump's statement has thus made it harder for President Sheinbaum to justify deep security cooperation with the United States. Nevertheless, the U.S. continues to demand, in the words of a Bureau of Western Hemisphere Affairs X post, "concrete, verifiable outcomes to dismantle narcoterrorist networks and deliver a real reduction in fentanyl."

The United States and Mexico also formally signed a new water agreement based on their 1944 water treaty. Under it, Mexico agrees to deliver a minimum monthly allotment of water to the Rio Grande, but without the previously permitted fluctuations due to droughts. While Secretary of State Marco Rubio lauded this win for “American farmers and ranchers,” the Mexican foreign ministry clarified that Mexican water deliveries will depend on hydraulic conditions. In other words, this short-term victory does not obviate the likelihood of renewed conflict in the coming years—it all depends on the rain.

### **President Sheinbaum Expands Her Authority, a Little...**

On February 1, the first day of the new legislative session, the Morena leader in the Senate, Adán Augusto López, stepped down as leader and announced that he would focus on ensuring Morena political victories in the 2027 midterm elections. President Sheinbaum had been pressuring him to resign for months, following a series of political scandals and his repeated disloyalty to the president and her Senate agenda, but he had been able to withstand the pressure due to support from former President López Obrador. His resignation is thus an important political victory for the president, albeit a modest one. López has been removed from his powerful post, but his replacement is a political confidant, and he retains his immunity from prosecution by remaining a senator. His decision to employ his immense political skill working as a Morena political operator, however, also benefits President Sheinbaum by improving her party’s electoral chances next year.

One of the issues the Mexican Congress will address this spring is President Sheinbaum’s electoral reform. The president proposed eliminating all legislators elected through proportional representation, sharply cutting transfers to political parties, and reducing the independence of the National Electoral Institute (INE). Two small parties integrated into her political alliance, however, depend on proportional representation for most of their legislative seats, live off government transfers, and rely on INE independence to guarantee

their election victories. The Labor and Green parties strongly opposed these proposals and threatened to use their voting power to deny President Sheinbaum the two-thirds legislative majority needed to pass these changes to the Constitution.

Each side has been flexing its political muscle over this issue since late last year, but it came to a head in January's final days, reinforced by strategic leaks to the press. In this context, President Sheinbaum insisted in her morning press conference on January 28 that the reform will contain changes that "we consider indispensable regardless of whether one individual or another opposes it." The next day, the Morena leader held a press conference with her Labor and Green Party counterparts announcing that their electoral alliance will continue through 2027. And on February 3, the president announced that an agreement had been reached allowing the electoral reform—whose precise wording remains secret—to be sent to the legislature shortly, and certainly during February. While legislators disagreed that a final deal was in hand, they agreed with President Sheinbaum's timeline, indicating that an agreement is close and likely to favor the president.

Beyond electoral reform, the legislature is also expected to approve Mexico's 40-hour work week before the end of February.

### **Ricardo Salinas Pliego Pays His Taxes**

In late January, businessman-politician Ricardo Salinas Pliego reached an agreement with the government to pay a discounted amount of his firms' back taxes, which still total nearly two billion U.S. dollars (32 billion pesos) and will be paid in monthly installments over the next year and a half. Although he continues to reject the legitimacy of this tax bill, it is ultimately a good outcome for him, allowing him to protect his companies while continuing his political opposition activities without the government having this leverage over him. But it is also a good outcome for the government. By collecting back taxes from a businessman

with deep pockets, it sends a message to the rest of the private sector that the best option is to pay their taxes rather than try to fight the government. For a government with constant fiscal challenges, this is an important victory.

### **Trying to Jumpstart Anemic Economic Growth**

Mexico's economy grew just 0.7% in 2025, and independent estimates place growth between 1.3% and 1.5% for 2026. But with a 2026 budget built on an economic expansion of 1.8%-2.8%, the Sheinbaum administration needs to boost growth. To do this, increased investment is essential, but this depends on improving business expectations, which in January registered their 20th consecutive monthly drop to the lowest level in over three years. To this end, President Sheinbaum met with auto sector leaders to determine what they need from the government to reverse declining production (driven mostly by U.S. tariffs and the resulting 2.7% drop in exports last year). She also met with bankers to encourage this well-capitalized sector to increase lending to small and medium-sized businesses and to support her infrastructure investment program.

On February 3, the Mexican government announced US\$323 billion in planned infrastructure investments through 2030, plus an additional ~US\$42 billion for this year beyond what is already budgeted. These more than 1,500 projects are concentrated in the energy sector (54.15% of the total) but also include roads, railroads, ports, healthcare, and education, and will be based on public-private partnerships. The next day, Pemex CEO Víctor Rodríguez Padilla announced a proposed 34% increase in Pemex investment relative to 2025, with opportunities for private participation (and a 13.4% reduction in Pemex's debt compared to the end of 2024, bringing it to its lowest level in 11 years). Natural gas projects will follow in the coming days (more on this below).

These infrastructure projects will not be based on concessions to private operators as in the past. Instead, the government will provide a majority of the investment to guarantee state ownership and oversight, but with the help of private capital to mitigate the budgetary impact. The legal framework for these projects will soon be presented to Congress and will likely be approved on a fast track to generate the certainty and defined timelines needed to attract private investment. It remains unclear, however, if these projects will have sufficiently clear and stable regulations to attract private investors or if business leaders will decide that they are profitable.

### **CFE Guidelines Published Opening Opportunities in Power Generation**

On January 28, 2026, the Federal Electricity Commission (CFE) published in the *Diario Oficial de la Federación* (Mexico's official federal register) the Guidelines for Mixed Development Schemes, setting out the rules that govern how CFE and private parties may jointly develop power generation projects. The Guidelines define the minimum content of mixed-investment contracts, the procedures for selecting private partners, and the process for migrating projects originally authorized under the former Public Electricity Service Law (LSPEE) into the current legal framework.

These Guidelines implement the mixed development schemes introduced by the Electricity Sector Law (LSE), which allows the State and private investors to participate together in power generation. The LSE contemplates two models—long-term production and mixed investment—with the latter now detailed operationally through these Guidelines. Importantly, projects developed under mixed schemes are not subject to CFE's traditional procurement rules but instead follow a dedicated framework established in the Guidelines.

Before launching any selection process, CFE must prepare a technical, legal, and financial justification for each project. This work is led by the Mixed Development Group (GDM), an

internal CFE body that includes representatives from other government agencies. CFE is required to develop a financial model based on discounted cash flows to demonstrate positive project profitability, and both the supporting documentation and the draft contract must be approved by CFE's Board of Directors prior to any tender or award.

Under the mixed investment model, projects are developed jointly by CFE and private partners for construction, financing, operation, and maintenance. CFE must retain a direct or indirect participation of at least 54% in the project vehicle, which may take various legal forms, including trusts, joint ventures, or commercial companies. The Guidelines also introduce the concept of "participation interest," clarifying each party's economic or production share, and explicitly recognize CFE's contributions of assets and prior expenditures as part of its equity participation.

The Guidelines also set detailed rules on contract content, cost recovery, and enforcement. Contracts must include provisions on corporate governance and veto rights, change-in-law and force majeure protections, dispute resolution mechanisms (including arbitration), and asset disposition at the end of the project. Project costs may only be recovered from project revenues and must support sustainable profitability. In the event of termination for default, CFE retains broad discretion to re-tender the project, operate it directly, or adopt another solution determined by the GDM. As a general rule, projects are awarded through public tenders, though restricted invitations or direct awards are allowed in specific cases (such as strategic location), with LSPEE project migrations required to follow a restricted invitation process.

For potential investors and multinational companies, the new Guidelines provide a clearer and more structured pathway to participate alongside CFE in power generation projects in Mexico. They reduce a key source of uncertainty by defining, in advance, how projects will be structured, awarded, and governed, and by setting out the minimum contractual terms

that will apply across mixed-investment schemes. This added clarity should make it easier for companies to assess risk, model returns, and align internal approval processes before engaging with CFE.

At the same time, the framework confirms that these projects will operate under a model of strong State control. CFE's mandatory majority participation, its central role in project design, and its broad discretion in cases of termination or reconfiguration mean that private partners will need to be comfortable operating within a public-sector-led structure. Returns will be tied strictly to project performance, with no recourse beyond project revenues, reinforcing the importance of disciplined cost control and realistic financial assumptions.

Overall, the Guidelines signal a pragmatic approach: Mexico is open to private capital, technology, and execution capacity, but on terms that prioritize public oversight, long-term system needs, and financial sustainability. For investors willing to work within this framework, mixed-investment schemes can offer access to large-scale projects, long-term participation in the Mexican power sector, and a more predictable set of rules than in the recent past.

In other news, we have confirmed with internal sources at SENER that a new round of Binding Projects tenders will be held towards the end of February, with details and the exact date yet to be disclosed. We will be carefully following this to keep you informed.

### **Pemex Reports Improved Financial Position with Continued Public Backing**

At President Sheinbaum's morning press conference on February 4, 2026, *Petróleos Mexicanos* (Pemex) reported a notable improvement in its financial situation. Energy Minister Luz Elena González said Pemex's debt in 2025 was 20% lower than in 2018, while Pemex CEO Víctor Rodríguez Padilla pointed out that Pemex's current financial debt level is



the lowest in 11 years. President Sheinbaum added that federal financial support for the company could continue into 2026.

Looking ahead, Pemex announced an investment budget of around US\$24.7 billion for 2026, representing a 34% increase compared to the previous year. The investment will focus on maintaining production levels and improving efficiency, with priority given to upstream projects such as Trión, Zama, and Maloob to support a production target of 1.8 million barrels per day. The company also highlighted natural gas development as a strategic focus, along with continued spending on refining, including the planned completion of the Tula refinery modernization in 2026. In parallel, Pemex outlined longer-term initiatives involving lithium extraction, offshore wind, hydrogen studies, and circular economy projects.

From an operational standpoint, Pemex reported higher crude processing volumes in 2025, better refinery yields, positive refining margins, and stronger sales of higher-value products. Exports of crude oil and petroleum products to Cuba were described as minimal in the context of overall production and sales. The federal government noted that it is reviewing diplomatic options to address potential external trade risks related to those exports.

From a creditor perspective, Pemex's improved financial position -marked by lower debt levels, stronger operating metrics, and continued federal backing- reinforces the company's short- to medium-term credit stability. While structural challenges remain, the combination of sustained government support and a renewed capital expenditure cycle focused on productive assets enhances visibility on cash flow generation and supports a more constructive risk outlook for existing and prospective creditors.

In parallel, the ongoing evolution of Mexico's hydrocarbons legal and policy framework (including the consolidation of joint development schemes, mixed contracts, and integrated service models) is creating a more predictable basis for potential partnerships with Pemex



that help mitigate political risk while aligning operational incentives. Importantly, this framework is increasingly intersecting with the imperative to decarbonize the hydrocarbons sector as a prerequisite for long-term viability. In this context, Pemex is positioned not only as a national oil company, but as an anchor counterparty for energy transition projects, including upstream emissions reduction (asset electrification, energy efficiency, and flaring and venting control), expanded use of natural gas as a transition fuel, hydrogen initiatives, and renewable generation linked to self-supply at refineries, terminals, and petrochemical complexes. For private developers and technology providers, these areas offer attractive entry points aligned with Pemex’s operational priorities and the federal government’s energy strategy.

Taken together, higher public investment, the clear need for private capital and technology, and increasing pressure to meet environmental and sustainability criteria are converging to open a pragmatic window for private participation with Pemex beyond traditional upstream and midstream activities. Well-structured partnerships in hydrocarbons, decarbonization, renewables, and circular economy initiatives can strengthen Pemex’s operating and emissions profile while providing private partners with long-term, investment-grade projects anchored to a strategic state-owned counterparty.

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