

## CONCLUSION

*There are still many important issues that must be addressed to make reforms a success*

The first steps of a fundamental change program for the Mexican energy sector have been taken. They are of critical importance. Once Congress approves the energy legislation package, the piecemeal construction of the new regulatory framework will begin. The regulatory authorities will formulate a body of guidelines, directives, resolutions and norms that will further structure the energy sector.

An appropriate balance between laws and regulations is required as reliance on regulation provides much needed flexibility to adjust to changing and unforeseen circumstances. However, regulations must have a solid legal foundation that makes them enforceable.

All of this initial work is only the beginning of a long journey that needs well-designed strategies and, more importantly, excellence in their execution. Energy reform will face concrete and tangible challenges and obstacles that must be dealt with pragmatically. The speed of the process thus far has been notable, but the laws and rules must stand up over the long term, and be bolstered by deep, democratic discussions that ensure wide support.

Strong and able leadership will be needed to mobilize the necessary resources and to inspire the teams that will carry out this ambitious program, in which change must become self-sustaining. Underlying this process is a clear definition of success, both in terms of high-level objectives, such as strengthening the Mexican manufacturing sector; increasing oil production; and boosting GDP growth; and specific goals such as the creation of new regulatory agencies, processes, and contracts. Measuring progress toward their achievement is an essential task.

Many important details must still be addressed, especially in areas such as the downstream, midstream, and electricity sectors, which have received less attention than the oil upstream. While oil production must be increased, bottlenecks in the midstream must be removed to eliminate the risk disruptions of natural gas and fuel to end-users. Under current economic conditions, the energy sector must not restrict the growth of Mexico's manufacturing industry, where high productivity employment is found and where productivity often grows at greater rates. But energy can further contribute to the growth of

industry by strengthening and deepening its supply chain, so as to reinforce the competitiveness of manufacturing exports.