April 25, 2022

Export-Import Bank
811 Vermont Avenue, NW
Washington, DC 20571

Dear Chairwoman Lewis:

Friends of the Earth writes in strong opposition to the proposed support for Petróleos Mexicanos (Pemex), the Mexican state-owned oil company. We argue on three main grounds:

1. EXIM-supported Pemex facilities are deadly, killing workers and civilians;
2. Pemex is one of the world’s dirtiest and highest GHG-emitting companies; and
3. Further U.S. support for Pemex would fundamentally undermine the Biden administration’s climate finance agenda.

In addition to the comments below, we would like to direct you to the comments that FOE submitted in September 2020 that highlight Pemex’s poor record with regards to worker safety and the environment. Just as we did then, FOE strongly discourages EXIM from supporting Pemex.

**EXIM’s long history of support for Pemex**

Historically, Pemex is EXIM’s biggest client, which the bank has supported since 1944. Pemex accounted for the majority of EXIM’s risk exposure in the years to 2016, the last time EXIM published such data. According to our own public records review, since 2009 at least 360 people have died in explosions, infrastructure collapses, fires and other incidents at Pemex facilities, including at some of those supported by EXIM. In that time, EXIM has loaned or guaranteed loans to Pemex worth nearly $9 billion, according to our review.

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3 For example, see EXIM’s 2016 annual report, p. 47. We have tabulated EXIM’s reported exposure to Pemex, drawn from annual reports, and can share on request. FOE, Data on EXIM’s Pemex and Wider Fossil Support, [https://docs.google.com/spreadsheets/d/1Y6LYsZYtQy3b7i_MPJwdUuAb_f9roJXaUFI-tjTnfs/edit#gid=447207356](https://docs.google.com/spreadsheets/d/1Y6LYsZYtQy3b7i_MPJwdUuAb_f9roJXaUFI-tjTnfs/edit#gid=447207356).
4 The Guardian first published a similar analysis for the years from 2009 to 2016. We did not have access to their methodology or underlying data, so we repeated the exercise from 2009 to August 2021: FOE, Data on EXIM’s Pemex and Wider Fossil Support, [https://docs.google.com/spreadsheets/d/1Y6LYsZYtQy3b7i_MPJwdUuAb_f9roJXaUFI-tjTnfs/edit#gid=447207356](https://docs.google.com/spreadsheets/d/1Y6LYsZYtQy3b7i_MPJwdUuAb_f9roJXaUFI-tjTnfs/edit#gid=447207356).
5 FOE, Data on EXIM’s Pemex and Wider Fossil Support, [https://docs.google.com/spreadsheets/d/1Y6LYsZYtQy3b7i_MPJwdUuAb_f9roJXaUFI-tjTnfs/edit#gid=447207356](https://docs.google.com/spreadsheets/d/1Y6LYsZYtQy3b7i_MPJwdUuAb_f9roJXaUFI-tjTnfs/edit#gid=447207356). EXIM provided more than $16 billion for Pemex from 1998.
Most recently, Pemex’s Ku-Maloob-Zaap oil project – one of those that EXIM directors voted at a September 2020 board meeting to support⁶ – has been the site of two severe incidents. In July, an undersea gas pipeline leak caught fire in the Gulf of Mexico, causing a methane inferno to burn on the ocean surface.⁷ The following month, at least five people were killed when a fire broke out at one of the same oil project’s facilities.⁸

In October 2021, EXIM disclosed it was considering a new Pemex application for another round of financial support for Mexican onshore and offshore gas field developments.⁹

**Pemex’s poor safety and environmental records**

The cauldron of fire burning on the surface of the Gulf of Mexico last July¹⁰ and people killed the following month in another fire at the same oil field¹¹ underscore a long trend at Pemex, which has been beset by explosions, fires, collapsing infrastructure and worker and civilian tragedies for many years. In 2016, an investigation published in *The Guardian* found that at least 190 people had died in major accidents at Pemex facilities since 2009.¹²

Our own, subsequent review of Pemex and other public records (up to August 2021) suggests roughly a doubling in the number of deaths since then, bringing to about 360 the number of workers and civilians killed in incidents at Pemex facilities since 2009 in addition to many more injuries.¹³ In that time, more than 4,000 hectares – a land mass the size of 7475 football fields – have been damaged in over 1,000 oil spills and leaks. Our review suggested an average of more than seven major Pemex incidents killing 28 people every year since 2009. During the same period, EXIM approved on average more than $1 billion a year in loans or guarantees for Pemex, excluding 2016 to 2019 when EXIM’s board was not quorate and could not approve transactions worth more than $10 million.¹⁴

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⁷ See [Climate Home News’ coverage](https://www.climatehome.net/exim-gulf-of-mexico-oil-roads-political-risk), which questions EXIM.

⁸ See [Pemex statement](https://www.pemex.com/en/pemex/press-and-media/press-releases/release/pemex-press-release/flower-munich-liga-de-honor) and subsequent press, such as this new [AFP article](https://www.afp.com/en/news/2021/07/28/pemex-statement-and-subsequent-press-such-as-this-new-afp-article WHICH QUESTIONS PEMEX’S BAD RECORD OF INCIDENTS, BUT IT MISSES SERIOUS INCIDENTS THAT ARE CAPTURED IN OUR DATA), which questions Pemex’s bad record of incidents, but it misses serious incidents that are captured in our data.

⁹ See EXIM’s [pending transactions](https://www.exim.gov/transactions/what-we-do) page.

¹⁰ See [Climate Home News](https://www.climatehome.net/exim-gulf-of-mexico-oil-roads-political-risk).


¹³ Our data – FOE, Data on EXIM’s Pemex and Wider Fossil Support, [https://docs.google.com/spreadsheets/d/1Y6LyZgZyQv3b7j_MPJwdUuAb_f9roJXaUFI-_tTnfs/edit#gid=447207356](https://docs.google.com/spreadsheets/d/1Y6LyZgZyQv3b7j_MPJwdUuAb_f9roJXaUFI-_tTnfs/edit#gid=447207356). – does not rely on the same methodology as that used by The Guardian, which is not known to us. We counted 175 deaths in the same period, versus their 190.

¹⁴ FOE, Data on EXIM’s Pemex and Wider Fossil Support, [https://docs.google.com/spreadsheets/d/1Y6LyZgZyQv3b7j_MPJwdUuAb_f9roJXaUFI-_tTnfs/edit#gid=447207356](https://docs.google.com/spreadsheets/d/1Y6LyZgZyQv3b7j_MPJwdUuAb_f9roJXaUFI-_tTnfs/edit#gid=447207356).
At their September 2020 board meeting, EXIM directors and staff were evidently aware of Pemex’s tragic legacy, but they sought to distance themselves from it. They said that while Pemex had had dangerous incidents, they were primarily at facilities EXIM did not directly support. EXIM’s environmental expert Masud Hasan told directors Pemex’s fatality rate had declined over the preceding five years, but public records available at the time seemed to indicate otherwise. There had been numerous severe incidents during those years, some of them at facilities EXIM had helped finance in the past or that its directors were about to support.

Pemex’s Abkatún-Pol-Chuc oil complex, among those EXIM chose in September 2020 to help finance, is one example. In 2015, an oil rig there caught fire, killing seven workers and injuring another 45. The incident cost Pemex $825 million. Over the following year, six more people were killed and another 17 were injured in three separate incidents at the same oil field.

Another example is Pemex’s Cantarell oil field. Since 2000, EXIM has issued loans and guarantees worth $3.7 billion in tranches that fully or partly contributed to Cantarell. There have been four major environmental and safety incidents at Cantarell since 2009, resulting in the deaths of two people and injuring five others. Three involved fires, while in the fourth, a worker fell to his death while repairing an oil rig.

In 2015, Pemex reported 13 major safety incidents in which 19 people were killed and 69 were injured. There were 64 oil leaks and spills damaging 188 hectares. Despite all this, that same year, EXIM guaranteed $1.5 billion in loans for Pemex.

16 Here the environmental and social impact assessment documents Pemex submitted to EXIM indicate for us which oil and gas projects EXIM funded in the September 2020 package. The documents detail 19 distinct Pemex projects.
17 In April 2015 an oil rig caught fire off the coast of the Yucatan peninsula.
18 In May 2015, the Troll Solution rig in the Bay of Campeche partly collapses when one of its legs failed. Two workers died and ten were injured. The platform is owned by Typhoon Offshore and was contracted to work in Pemex’s Abkatun-Pol-Chuc oil field. In August 2015, a fire broke out during dismantling activities at the Abkatun-A Permanente plant. One worker died and another was injured. According to Pemex: “The root cause analysis identified a lack of risk identification and planning activities as the main causes of this accident.” In February 2016 there was a fire at a compression unit at the Abkatun A platform caused by a welding accident. There were three deaths and six injuries.
19 FOE, Data on EXIM’s Pemex and Wider Fossil Support, https://docs.google.com/spreadsheets/d/1Y6LxZyZQy3b7j_MPJwdUuAb_f9roJXaUFI-tTnfs/edit#gid=447207356.
20 FOE, Data on EXIM’s Pemex and Wider Fossil Support, https://docs.google.com/spreadsheets/d/1Y6LxZyZQy3b7j_MPJwdUuAb_f9roJXaUFI-tTnfs/edit#gid=447207356.
21 FOE, Data on EXIM’s Pemex and Wider Fossil Support, https://docs.google.com/spreadsheets/d/1Y6LxZyZQy3b7j_MPJwdUuAb_f9roJXaUFI-tTnfs/edit#gid=447207356.
22 FOE, Data on EXIM’s Pemex and Wider Fossil Support, https://docs.google.com/spreadsheets/d/1Y6LxZyZQy3b7j_MPJwdUuAb_f9roJXaUFI-tTnfs/edit#gid=447207356. However, also see EXIM’s 2015 annual report, p. 25.
A 2019 explosion at a Pemex pipeline killed 137 people, according to press reports.\textsuperscript{23} Although there is no indication this pipeline was directly supported by EXIM, it is remarkable that such a deadly incident was not mentioned in EXIM’s September 2020 board meeting.\textsuperscript{24} At that board meeting, environmental expert Masud Hasan told directors that most safety issues were at “refineries, chemical plants, and pipelines that we did not support. So our projects are, to some extent, safer than other operations.” He said the only refinery supported by Pemex was the Minatitlan refinery, which received Pemex support in 2006 and 2007.\textsuperscript{25} “That’s doing good, and there was no complaint against that refinery.”

However, the Minatitlan refinery does not appear to be a safe facility. In June 2015, at least eight workers were exposed to hydrogen sulphide via inhalation at the refinery after an electrical failure during pump testing.\textsuperscript{26} A few months later, two workers died in an accident at one of the refinery’s catalytic reactors.\textsuperscript{27} According to Pemex’s own assessment, the causes of the accident were “lack of supervision and poor application of critical procedures.” In addition, in late 2019, another worker died there in an accident involving a fire hose.\textsuperscript{28} No mention was made of these incidents at the September 2020 EXIM board meeting, not even as context for Masud Hasan’s placatory remarks. A few months later, seven more Pemex workers were injured in a fire at the refinery.\textsuperscript{29}

**Support for Pemex would undermine Biden’s international climate finance plan**

The Biden administration announced in November 2021 it had signed a global pledge to end most public support for fossil fuels abroad by the end of 2022. Such public support particularly by Canada, China, Japan, South Korea and the U.S. props up risky oil, gas and coal projects.\textsuperscript{30} This crowds in much more private finance and sets and entrenches high-carbon development pathways. It catalyzes projects that would not otherwise have happened.\textsuperscript{31} In a recent statement, the U.S. Treasury said Biden’s White House had “asked” agencies like EXIM to produce ambitious investment strategies to reduce their support for

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\textsuperscript{23} For example, see Bloomberg.


\textsuperscript{25} Masud Hasan said in the board meeting: “Only one refinery that we supported in 2006 and ’07 was a modern refinery, Minatitlan refinery.” Also see Pemex’s 2006 press release and 2006 and 2007 annual reports pp. 25 and 24 respectively.

\textsuperscript{26} An electrical failure at the Minatitlan refinery.

\textsuperscript{27} Two workers died during an accident at the Minatitlan refinery.

\textsuperscript{28} Worker dies as a result of a water jet injury.

\textsuperscript{29} Fire at the Lazaro Cardenas refinery. Seven people are injured.

\textsuperscript{30} See the report “Past Last Call” by OCI and FOE.

\textsuperscript{31} The U.S. EXIM $4.7-billion loan for Total’s Mozambique LNG is a case in point. For example, this article records: “Kimberly A. Reed, the recently confirmed president and chairman of the US EXIM Bank, drove home the importance of the bank’s role in helping US exporters compete in new markets during an executive keynote at the port of Houston early in October. ‘Private financing was not available for [the Mozambique] project given its size, complexity, and risk,’ she said.”
fossil fuels. For months, the Biden administration has been working on its still incomplete guideline for agencies like EXIM on “ending international financing of carbon-intensive fossil fuel-based energy.”

Tallies of EXIM spending since 2009 show that it has loaned or guaranteed more than $40 billion for coal, oil and gas projects, or more than $5 billion for every year that the bank was fully operational. Such a track record suggests the institution could be difficult for Biden to reform in line with his climate agenda without good leadership and a concerted effort. From 2019 until July 2021, the EXIM board approved at least $5.4 billion in loans and guarantees or 63% of the value of all board approvals. In the process, EXIM’s exposure to oil and gas projects was driven from 15% in 2018 to 26% in 2020, its financial reports show. That does not count greenhouse gas-intensive aviation and steel projects that the board also voted for. Supporting Pemex yet again would be adding to this bad record and undermining Biden’s climate finance plan.

**Pemex’s flaring problem**

When oil companies “flare”, they burn off surplus gas from their reserves. In its financial reports, Pemex says: “Gas flaring is considered to be one of the most significant sources of air emissions from offshore oil and gas installations.” The World Bank has recommended that eliminating routine flaring is a “low-hanging fruit” alongside other climate actions. It

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32 See Treasury statement (FAQ) on recent guidance regarding MDB fossil fuel finance: “Is this policy the same as the National Security Council and White House Guidance? The National Security Council asked agencies to develop their own policies that are either consistent with or more stringent than the White House level Guidance. This is Treasury’s policy for the MDBs.”

33 This is the “National Security Council and White House Guidance” referred to in this Treasury statement. In November 2021, POLITICO cited an unnamed senior official confirming this guidance was incomplete: “...the Biden administration has not yet finished climate guidelines for external finance agencies like the Export-Import Bank, the official noted.” On April 12, 2022, Millennium Challenge Corporation wrote to FOE: “The “Guidance pursuant to ‘Executive Order on Tackling the Climate Crisis at Home and Abroad’ (E.O. 14008) that implements the direction on ‘ending international financing of carbon-intensive fossil fuel-based energy’ is currently still in Draft and not finalized.”

34 A 2019 Oil Change International report recorded $34.795 billion from 2009 to 2018. We then tabulated subsequent approvals, recording a total of $5.4 billion more from 2019 to 2021. FOE, Data on EXIM’s Pemex and Wider Fossil Support, https://docs.google.com/spreadsheets/d/1Y6LYxZyQy3b7i_MPJwdUuAb_f9roJxuUFl-_tThfs/edit#gid=447207356.

35 This excludes 2016 to 2019 when EXIM’s board was not quorate and could not approve transactions worth more than $10 million.

36 Those percentages are taken from EXIM’s annual reports; they are not a product of our analysis.

37 Fossil fuels, aviation and metals total more than 90% of the value of approvals in the period.

38 Flaring drives both carbon dioxide and methane emissions, and the ratio depends on the “flaring combustion efficiency.” For example, Pemex estimates its efficiency is 84%, which is based on a study of six flares in Alberta, where efficiencies ranged from 55% to 98%. Therefore, 84% of the gas combuts and the rest escapes, in theory. This study used atmospheric measurements to test that. It found that offshore Pemex's methane emissions were much lower than Pemex's estimates, suggesting a higher combustion efficiency of 98%. Onshore, Pemex's methane emissions were much higher than the estimates.

39 See its Form 20-F SEC filings.

40 According to the World Bank's global gas flaring tracker report: "Eliminating routine gas flaring is common sense because any action to reduce flaring profoundly reduces the direct or Scope 1 emissions of the oil and gas sector. In this sense, it is what we call a 'low-hanging fruit,' alongside other climate actions, like preventing and
had published its estimation that in 2019, Mexico – where Pemex is the primary oil and gas operator – was the world’s ninth-worst gas flaring nation by both volume and intensity. Researchers have ranked Pemex as the world’s ninth worst corporate source of greenhouse gases for the years from 1965 – that research counted Pemex’s operational emissions, its flaring and the significantly larger emissions from the oil and gas Pemex sells to customers for combustion elsewhere.

In January 2020, a deadly fire broke out at a Pemex platform, part of its Cantarell oil field that EXIM has long helped finance. The failure at the platform meant Pemex could not capture gas for a period, leading to a significant increase in flaring. The event contributed to Pemex’s flaring increasing from an already huge 4.8% of 2019 production to 10.8% in 2020, according to Pemex records. This helped to drive a 12.5% annual increase in Pemex’s operational greenhouse gas emissions, as measured by carbon dioxide equivalent, Pemex reported that year. While that precise figure was only publicly reported after EXIM’s board meeting, Pemex’s 2019 emissions were also up on the year before. These details were not discussed at EXIM’s September 2020 board meeting that approved support for Cantarell and other fields.

Local Opposition to Pemex

Since late September, Mexican activists have staged protests on the streets of Mexico City and online demanding that Pemex present a plan to decarbonize. The protestors wear giant heads representing leaders, including Mexican President Andrés Manuel Lopez Obrador and Secretary of Energy Rocio Nahle Garcia. One of the activists, María Reyes of Fridays for Future Mexico, told us: "If Biden doesn't radically change the course of EXIM, this fossil fuel bank will sink his climate finance agenda. It has a debt with the communities most affected by the Climate Crisis. We need them to stop Pemex from burning our present and future.”

minimizing methane leaks, and eliminating routine venting. While there are certainly barriers and constraints, ending routine gas flaring represents a big ‘win’ for climate action.”

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41 See the same World Bank report.
42 See The Guardian’s coverage of the research by the Climate Accountability Institute.
43 In January 2020, three people were injured in a fire on the Akal C-6 rig in the Cantarell oil fields.
44 FOE, Data on EXIM’s Pemex and Wider Fossil Support, https://docs.google.com/spreadsheets/d/1Y61lYxZyOy3h7j_MPjwdUuAb_f9roJXaUFJ- _tTnfs/edit#gid=447207356. This Cantarell funding is discussed in a little more detail further below.
45 See p. 43 of Pemex’s 2020 Form 20-F SEC filing.
46 See p. 88 of Pemex’s 2020 Form 20-F SEC filing.
47 See p. 94 of Pemex’s 2019 Form 20-F SEC filing.
49 See The Guardian’s primer on the September 24, 2021 event. Photos and updates of the protests are available on Fridays for Future Mexico’s Facebook page. By November 3, 2021, nearly 24,000 people had signed the youth campaign group’s petition: “Let’s demand that PEMEX stop burning our future.”
I look forward to EXIM’s responses to the concerns of worker safety and negative environmental and climate impacts regarding its consideration of yet more support for Pemex.

Sincerely,

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