

Expropriation of Hydrogen U-3400 plant at Tula refinery

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Executive Summary:

- On April 18, 2024, a Decree (the "Decree") was published in the Federal Official Gazette ("DOF") expropriating the hydrogen production plant U-3400, located on a 6,451.78 sq. m. plot of land within the Miguel Hidalgo Refinery, Tula de Allende, State of Hidalgo, in favor of Pemex Transformación Industrial.
- The immediate execution of the expropriation has been ordered, which implies the permanent occupation of the hydrogen plant U-3400 for the benefit of Pemex Transformación Industrial. This includes all assets and facilities identified in the valuation report with sequential numbers 02-24-99 and generic G-38000-1-ZNB. In addition, the immediate provision of services and the exercise of the corresponding rights is required.

The President of Mexico, Andrés Manuel López Obrador (AMLO), has issued a decree for the expropriation of the U-3400 hydrogen production plant, located at the Miguel Hidalgo refinery in Tula de Allende, Hidalgo, in favor of Petróleos Mexicanos ("Pemex"), as part of efforts to drive generation towards a more sustainable energy industry and ensure the efficiency, security, and sustainability of the country's energy supply.

The U-3400 plant's capacity is 2.1 million m³/day of high-purity hydrogen (99.9% mol). The U-3400 plant is also essential for producing hydrogen used in desulfurization processes, necessary for producing low-sulfur fuels in compliance with current environmental regulations and sustainable development objectives. It supplies hydrogen to hydrodesulfurization plants for gasoline, diesel, and other petroleum products, whose demand is constantly increasing due to the need to reduce the sulfur content of fuels.

Pemex Transformación Industrial ("Pemex Tri") will be the beneficiary entity of this expropriation, in line with the government's strategy to strengthen Pemex as an engine of national economic development. Pemex Tri has the permit to carry out oil refining activities, regulated in terms of industrial, operational, and environmental safety.

Although the plant was previously under the management of the French company Air Liquide Mexico, the government has chosen to take direct control due to the strategic importance of hydrogen production for the generation of cleaner fuels.

The Decree not only provides for immediate expropriation but also establishes guidelines for fair economic compensation, based on an appraisal issued by the Instituto de Administración y Avalúos de Bienes Nacionales. In addition, Pemex Tri is instructed to register in the Federal Public Property Registry and in the corresponding State Property Registry, as well as to notify the affected parties.



This measure is part of the government's ongoing efforts to ensure self-sufficiency in fuel production and move towards a more sustainable energy industry that is less dependent on external sources.

The expropriation is justified by virtue of the public interest, guaranteeing the right to a healthy environment and promoting the development and wellbeing of the Mexican people. It is necessary for the production of hydrogen, fundamental for clean fuels, to be directly under the responsibility of Pemex Tri to ensure efficient production of clean fuels.

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