

OIL & GAS | MEXICO

Investors shouldn't underestimate Mexico's security risks - Grupo Atalaya

By Adam Critchley - Wednesday, July 22, 2015



Gustavo Mohar Betancourt
CEO
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With media coverage of Mexico dominated by the jailbreak of drug kingpin Joaquín 'El Chapo' Guzmán and general violence, including attacks on mining company employees, potential investors need perspective of what they may find on the ground as they embark on new projects in high-risk areas, including those for onshore oil and gas E&P.

The CEO of security consulting firm Grupo Atalaya, Gustavo Mohar Betancourt, talks to BNamericas about the importance of designing a risk-mitigation strategy.

BNamericas: What is the perception of Mexico among private, foreign investors in the energy sector?

Gustavo Mohar Betancourt: A large part of investors' worries regarding Mexico's hydrocarbons market is security. There is a perception abroad, which is sometimes exaggerated, of what is happening here, and firms without experience in Mexico see it as a high-risk country for their personnel, projects and installations due to the threat posed by organized crime and violence. The press is dominated by bad news. We offer an objective perspective of what is really happening here, making it clear there are many 'Mexicos' and within a particular region, many regions.

BNamericas: What are the risks?

Mohar Betancourt: There are local gangs carrying out extortion and kidnappings, as well as fuel theft from pipelines and tankers. Sometimes radical social movements spring up, and abuses on behalf of the authorities in some regions. All of these factors could lead to a project being halted, and firms need to be able to implement measures to prevent this. And the risks exist for the authorities too – for Pemex, the CNH, for example, not just the private sector.

BNamericas: Do oil firms tend to show less risk aversion, given they are used to working in high-risk countries?

Mohar Betancourt: For the big oil firms with international exposure yes, but the smaller firms have not been exposed to the same levels of risk. Mexico is not a number one risk compared to other countries, but the risk cannot be underestimated, and measures need to be taken to mitigate that risk. If a company is coming to a volatile region such as Veracruz or Tamaulipas, it must know the real risks and conduct analysis to train its personnel and protect its infrastructure, and cultivate a relationship with the military and authorities to coordinate in the event of an emergency.

BNamericas: Is the Mexican state, the police and armed forces for example, obligated to protect privately owned energy infrastructure?

Mohar Betancourt: By opening the energy sector to private players there will be foreign companies operating here, and the question obviously arises regarding which authorities, such as the army or the marines, is required to protect them. Pipelines are critical infrastructure, but the army does not have the obligation to protect that infrastructure because it doesn't belong to the state. Private firms can therefore decide to bring their own armed guards, for example.

BNamericas: Even with armed personnel on the ground and a risk-mitigation strategy in place, are firms still vulnerable to corrupt practices in Mexico?

Mohar Betancourt: One of the risks is that the company will be infiltrated by gang members, and filters must be put in place in order to screen potential employees to ensure that personnel do not represent an additional risk. A community-friendly policy is also necessary to form a good relationship in the area where the firm operates, with protocols in place for a worst-case scenario.

About Gustavo Mohar Betancourt

Grupo Atalaya CEO Gustavo Mohar Betancourt is a former undersecretary for migration, population and religious affairs at the Mexican government's interior ministry. He was also secretary general at the center for investigation and national security (CISEN), and served as Mexico's chief negotiator for migratory affairs with the US.

About the company

Mexico City-based Grupo Atalaya is a security consultancy advising firms on strategic intelligence and the design of risk-mitigation strategies.

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