PART 1: The Economy for the Common Good

Mexico's administration under Claudia Sheinbaum introduces opportunities for reform, emphasizing decarbonization, tighter environmental regulations, and transitioning Pemex into a Harvest Mode model. This approach focuses on extracting remaining fossil fuels with existing infrastructure while reducing new investments, aiming to avoid fossil lock-in and stranded assets. Pemex remains a symbol of Mexican identity and sovereignty, but its future depends on balancing modernization, sustainability, and integrity. Addressing its structural issues is vital for its role in the nation's development.

While Mexico has articulated clear priorities around decarbonization, modernization, and national wellbeing, there remains an opportunity to strengthen the evidence base that supports these ambitions—evaluating how Harvest Mode, Common Good Metrics, and energy sovereignty can be operationalized together in ways that align with national goals and regulatory frameworks.

A reimagined Pemex—transparent, sustainable, and efficient—can once again make any Mexican proud. Its success is directly linked to Mexico's stability and prosperity as not only the country's largest firm but being state-owned and government fund-backed means its future will affect employment rates, national ratings, reputational gains or losses and economic prospects.

Economy for the Common Good

9 Cornerstones of the Economics for the Common Good

1. The Economy for the Common Good is a bridge to an ethical market economy, whose goal is not the increase of monetary capital, but a good life for all.

2. Human dignity, solidarity and social justice, environmental sustainability and democracy are guiding values.

3. The Common Good Matrix shows how these values can be lived in everyday business life. It is continually being developed and should be decided upon democratically.

4. Companies use the Matrix to draw up a Common Good Balance Sheet. In the Common Good Report, they explain the implementation of the common good values as well as their development potential and make an assessment. The report and balance sheet are reviewed by auditors and made available to the public.

5. ECG companies are recognized and supported by consumers, cooperation partners and common good-oriented sponsors.

6. As compensation for their above-average performance, ECG companies are to receive legal advantages in taxes, loans and public contracts as well as in international trade.

7. Business profits serve to strengthen the companies, generate income and provide for long-term financial security of the owners and employees, not, however, to increase the assets of external investors. Thus, the owners are given the freedom to develop common good-oriented business practices, free from pressure to achieve the highest possible return on investment.

8. The drive for economic growth decreases. Opportunities for a fulfilled life are opened up while preserving our natural resources. In work, appreciation and fairness as well as creativity and cooperation can develop better.

9. Limiting wealth inequalities increases the chances for equal participation of all in economic and political life.

To date, no applied study has explored how the Common Good Matrix could be adapted to a national energy company of Pemex's scale and strategic importance. An applied model of this kind would allow Pemex to translate national priorities into measurable indicators, strengthening transparency and supporting Mexico's broader sustainability agenda.

Self-Sufficiency Projections

Healthy and transparent finances are the best and easiest way to do good for the people. Not in merely economic terms nor for the sole purpose of profit. Profit is the means, not the end. The end is a reformed Pemex, one that uses these sustained gains for social and environmental good. Pemex is not an NGO, nor a philanthropist. Pemex should be a leverage for true development, not for simple market competition.

In addition, social efforts would count more so, after the environmental damage they have already caused, as watered-down reparations. They are too far into debt and their core activity is too polluting for any conversation about offsets to be held, and it should not be in any case. Pemex requires change before 2030, as projections suggest it will not be self-sufficient in hydrocarbons by then, let alone financially.

The Economy for the Common Good movement invites people to help shape a new economy based on dignity, social justice and environmental sustainability. All ideas for a sustainable economic order should be developed in democratic processes, decided by people as sovereign and anchored in national constitutions.

Energy Sovereignty

Energy sovereignty is a multifaceted concept involving control over energy resources and a nation's capacity to shape its energy future according to local needs, values, and priorities. It extends beyond securing energy independence to designing systems that serve the collective good, promote social equity, and support environmental sustainability.

Energy Sovereignty is an umbrella term that can unify manner different institutions and individuals to join within the same discourse and similar set of goals. Sovereignty examples exist in other sectors: digital (cyber) sovereignty, food sovereignty, and elsewhere. The idea of energy sovereignty embraces a series of values:

(i) accessibility,

(ii) empowerment and recognition,

(iii) stewardship and sustainability,

(iv) self-sufficiency,

(v) resilience,

(vi) peace, to establish production systems that do not involve hostile relations,

(vii) transparency and self-determination, and

(viii) gender justice.

At its core, energy sovereignty integrates political, economic, social, and environmental decisions, emphasizing self-determination in energy production, distribution, and consumption. In practice, it means a country or organization controlling energy resources to protect national interests and foster development.

However, a critical distinction must be made between energy priorities, expressly basic needs essential for survival and the maintenance of a livable standard, and the additional energy demands tied to economic status. Basic needs are defined as the material minimum for a healthy, dignified human life.

Energy sovereignty opposes profit-driven models dominated by multinationals, proposing energy as a social good managed for current and future generations. This vision emphasizes community-driven decision-making, decentralized systems aligned with local needs, and resilient infrastructures that withstand geopolitical crises, market volatility, and climate change.

Pemex's current asset base, workforce capabilities, and regional operations each contribute to Mexico's energy sovereignty today, and further analysis could help identify where targeted investments would generate the greatest sovereignty gains.

Operationalization of the Social/Common Good

The following are some of the potential frameworks that this overview considers in building a comprehensive guideline for Pemex as an energy-sovereign agent to be:

- Climate Transparency: This global initiative evaluates and compares countries' and companies' climate actions and commitments, providing insights into progress toward international climate goals like the Paris Agreement. It emphasizes accountability and drives improvements in climate-related policies and strategies.
- True Value or True Cost Accounting: Seeks to calculate the full societal and environmental costs and benefits of an organization's activities, incorporating externalities like resource depletion, pollution, and social welfare.
- Human Rights Impact Assessment (HRIA): Evaluates the social implications of business activities, particularly their impact on human rights, community well-being, and fair labor practices. Commonly used in extractive industries.
- Value-to-Society Framework: Represents the value chain in monetary terms, considering its effects on all actors and sustainability matters.
  - Social Cost of Carbon (SCC): Assigns a monetary value to damages caused by emitting one ton of CO_2 , such as health costs, economic losses, and environmental degradation. Guides policymaking by integrating these costs into decisions.
  - Environmental Profit and Loss (EP&L): Assigns monetary value to a company's environmental impact across its supply chain, including emissions, water use, land use, and air pollution, offering a holistic understanding of costs.
  - Social Return on Investment (SROI): Measures the broader social and environmental value created by an organization in monetary terms, comparing outcomes like improved quality of life to investments made.
  - Impact-Weighted Accounts Initiative (IWAI): Developed by Harvard Business School, quantifies environmental and social impacts in financial terms, integrating them into traditional accounting practices.
- Full-cost accounting: would allow Pemex to account for externalities of its operations, such as pollution and public health impacts in its financial assessments. These are well within the considerations of regulators and environmental agencies in charge of taxing and fining negative impacts.
- These frameworks provide a strong foundation, yet their practical application to Pemex's unique context requires further study to determine which tools offer the highest decision value for Mexico and how they might be integrated into Pemex's operational and reporting systems.

Economy for the Common Good outlined a Common Good Matrix (CGM) that matches different areas in ethical sustainability with the big players in a company's value chain, leaving it to self-determine any indicators that represent harmful or ethically positive effects in the economy, while tracking which sub-areas are compliant of applicable national and international regulations.

The following is the simplified matrix, excluding sub indicators (e.g. A1.1, A1.2, …).

VALUE / STAKEHOLDER	HUMAN DIGNITY	SOLIDARITY AND SOCIAL JUSTICE	ENVIRONMENTAL SUSTAINABILITY	TRANSPARENCY AND CO-DETERMINATION
A: SUPPLIERS	**A1** Human dignity throughout the supply chain	**A2** Solidarity and social justice throughout the supply chain	**A3** Environmental sustainability through-out the supply chain	**A4** Transparency and co-determination throughout the supply chain
B: OWNERS, EQUITY AND FINANCIAL PARTNERS	**B1** Ethical position in relation to financial resources	**B2** Social position in relation to financial resources	**B3** Use of funds in relation to social and environmental impacts	**B4** Ownership and co-determination
C: EMPLOYEES AND CO-WORKERS	**C1** Human dignity at the workplace and working environment	**C2** Design of fair and just working agreements	**C3** Environmentally friendly behaviour of staff	**C4** Co-determination and transparency within the organization
D: CUSTOMERS AND BUSINESS PARTNERS	**D1** Ethical customer relations	**D2** Cooperation and solidarity with other organizations	**D3** Environmental impacts of products and services during use and end-of-life	**D4** Customer participation and product transparency
E: GLOBAL COMMUNITY, NATURE AND LIVING BEINGS	**E1** The purpose of products and services and their effect on society	**E2** Contribution to the community	**E3** Reduction of environmental impact	**E4** Transparency and co-determination

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Figure 1: Common Good Matrix 5.1

The ECG Matrix 5.1 provides a framework for organizations like Pemex to integrate environmental and social sustainability into their operations while ensuring long-term economic viability.

This approach not only evaluates the company's impact on society but also areas for growth. For a company transitioning away from oil soon, this methodology offers a pathway to sustain employee well-being (view “On employee training”) and engage communities properly while restoring its reputation and role in a sustainable economy.

PART 2: A Healthy, Public Pemex Contributing to the Wellbeing of Mexico

Petróleos Mexicanos (Pemex) stands at a critical crossroads. With business activities spanning the nation’s entire chain of gas and oil production, Pemex holds a critical position in deciding the nation's future. Will the state-owned enterprise continue slowly degrading towards potential bankruptcy, risking economic contagion that would impact the Mexican economy as a whole? Or will the government of Mexico future-proof Pemex by

embracing the energy transition by deploying *harvest mode* and protecting Mexico's rich oil and gas inheritance for better uses by future generations?

Pemex suffers from operational disruptions due to aging assets. High debt service and high credit risk often leave the government to cover Pemex's cash deficit, resulting in a lack of maintenance to existing assets and an increase in accidents.

As Pemex evaluates its strategic options, there is an opportunity to strengthen the analytical foundation that informs long-term planning—developing a transparent, scenario-based evidence base to assess the fiscal, social, and environmental implications of different pathways, including Harvest Mode.

Building on Harvest Mode as a baseline and focusing efforts where its contributions to the wellbeing of Mexican society are biggest will ensure that Pemex recovers and maintains its financial health, while updating its business model to the realities of the 21st century and making efficient use of Mexico's financial, human and hydrocarbon resources.

Harvest Mode and The Common Good: A Path to Stability and Sustainability

Harvest Mode, an approach to extraction that optimizes existing resources and infrastructure while ceasing investments in new fossil fuel extraction infrastructure, presents an excellent opportunity to bring stability and sustainability to Pemex.

By leveraging this model, Pemex can generate significant revenues without committing to unsustainable practices or assets likely to become stranded in the mid-term. Operational efficiency can be achieved by prioritizing existing fields, reducing flaring and venting, and optimizing maintenance to minimize waste and emissions—supporting Mexico's decarbonization goals while reducing emissions and elevating environmental stewardship. Operational savings from this strategy have been estimated at US$ 20 billion per year and could help address Pemex's upcoming debt maturities. These estimates offer an encouraging starting point; a more detailed, asset-level analysis could help validate and refine them.

The Common Good Approach provides a framework through which to assess the success of Pemex, beyond purely financial metrics. Understanding and applying the framework not only supports a competitive advantage for Pemex, but can also be used to measure the company's shifting impact as it aims to support the broader Mexico in positive environmental and social growth. With strategic oversight, the framework can be aligned with standard ESG reporting metrics and integrated well into Pemex's standard operations.

Pemex's future is inseparable from Mexico's prosperity, and the strategies outlined below chart a path toward securing both.

Which Pemex?

Pemex's status as a public enterprise means that it must serve first the wellbeing of Mexicans beyond purely economic considerations. Contributing to Mexico's energy sovereignty while upholding social and environmental norms and responsibilities means greater responsibility for Pemex.

The question "Pemex for who?" must not only be answered with "for the wellbeing of Mexicans", it also requires a clear and detailed framework to guide Pemex's strategy and operational decisions towards meeting that purpose.

Such a framework can transform Pemex into a leader in environmental and social responsibility and redefine the relationship between the company and its people. Pemex's business decisions, including those on entering harvest mode, updating its business model, and new investments must be guided by and measurably linked to contributions to national welfare.

What Pemex Needs Next: Evidence to Support Strategic Decision-Making

- Pemex's long-term strategy would benefit from greater clarity on several key operational, financial, and social questions. Areas where additional evidence could support decision-making include:
- Asset-level feasibility of Harvest Mode across upstream, midstream, and downstream operations
- A harmonized Common Good Matrix–ESG indicator map tailored to Pemex's reporting needs
- Scenario modeling comparing financial outcomes under multiple transition pathways
- A social impact baseline for communities affected by operational changes
- Governance and transparency diagnostics aligned with Mexico's regulatory frameworks
- This kind of analysis would not prescribe policy; rather, it would equip Pemex and policymakers with the tools needed to make informed, forward-looking decisions.

Option One: Backwards Looking Towards Default

Will Pemex look backwards to the 20th century and continue as an oil company without addressing its ongoing structural and financial risks?

Business as usual carries real fiscal and social risk. Pemex has now been included in Mexico's annual federal budget for several consecutive years—a dynamic that has been credit-positive, giving markets more visibility into the timing and magnitude of government support. That support, however, is now on a declining trajectory as Pemex's own finances stabilize.

Mexico's 2026 budget earmarked roughly MX$263.5 billion (about US$14 billion) in support for Pemex's debt service. The government's 2027 budget proposal calls for cutting that support by nearly 70%, to MX$81.1 billion (about US$4.8 billion)—a bet that higher oil prices and Pemex's recent debt paydown will let the company approach financial self-sufficiency, an assumption analysts have questioned given Pemex's unresolved structural challenges, including declining production, workforce size, and an unprofitable refining segment.

Pemex has materially reduced its near-term debt load: short-term obligations fell to roughly US$12.7 billion in Q2 2026, down more than half year-over-year, and total financial debt stood at roughly US$79 billion as of Q1 2026—its lowest level since 2014.

On a per barrel basis, Pemex pays roughly US$ 9/BOE (barrel of oil equivalent) in interest, compared to US$ 2 to US$ 3/BOE for regional peers.

Pemex leverage is 8.8x, placing its, excluding Government of Mexico support, standalone credit profile in the lower range of the corporate rating scale. Debt to 1P reserves exceeds US$ 14/BOE, underperforming against Petrobras and Ecopetrol, who are below US$ 10/BOE.

Fitch upgraded Pemex's international debt to 'BB+' in October 2025 (from 'BB', and 'B+' a year earlier), with a Stable outlook, reflecting continued government support and an improved maturity profile. A 'BB+' rating still signals elevated vulnerability to default risk under adverse business or economic conditions, but it is a meaningfully stronger position than the deep speculative-grade ratings Pemex carried through 2024.

That upgrade has also narrowed the gap between Pemex's government-backed rating and Mexico's own sovereign rating ('BBB-') to a single notch, down from four notches previously—reflecting Fitch's view that Pemex's own credit profile has strengthened alongside the broader debt paydown.

Comparatively, Pemex's Standalone Credit Profile (SCP)—which excludes Government of Mexico support—was raised to 'bbb-' by Fitch in February 2026, up from 'ccc' in mid-2025. That puts Pemex's standalone profile, for the first time in years, at the same level as Mexico's sovereign rating itself, though it still reflects large transfers to the federal government, historically weak operating performance, and elevated leverage relative to reserves.

Taken together, the narrowing gap between Pemex's government-backed rating and its standalone credit profile points to real, recent improvement in Pemex's financial position. That improvement has been driven substantially by higher oil prices and continued government backing rather than by resolution of Pemex's underlying structural issues—declining production, high leverage relative to reserves, and an unprofitable refining segment—which means the credit story could reverse if oil prices soften or government support is withdrawn faster than the company's own cash generation can replace it.

The question now is whether Pemex will evolve beyond its 20th-century model and confront internal inefficiencies, or act as a fiscal and social liability for Mexico.

Option Two: Forward Looking to Energy Sovereignty and an Economic Common Good

Pemex can mimic other successful companies that have transitioned from oil to renewables in support of their country's energy sovereignty. For example:

- The former Dansk Olie og Naturgas A/S (Danish Oil and Natural Gas - DONG) became Ørsted A/S, the global leader in offshore wind power.
- The former CESPA (Compañía Española de Petróleos, Sociedad Anónima) became Moeve, a sustainable energy leader in Spain and Portugal.

Pemex transition to support the energy sovereignty of Mexico is framed using the common good approach and then executed upon using the harvest mode. The approach enables protecting Mexico's rich hydrocarbon inheritance for better uses by future generations.

Comparing these international transitions can help identify which elements are most relevant to Mexico's context—or to any other nation navigating a similar shift—offering a realistic, evidence-based blueprint aligned with national priorities and energy sovereignty goals.

The Pathway: Harvest Mode

As introduced above, Harvest Mode optimizes Pemex's existing resources and infrastructure rather than committing to new fossil fuel extraction—generating revenue without adding stranded-asset risk. Its estimated efficiency and savings benefits are detailed in Part 2 above.

As shown below, like the IEA's Sustainable Development Scenario, Harvest Mode can help place Pemex on the road towards renewed success with financial health and environmental and social sustainability in mind.

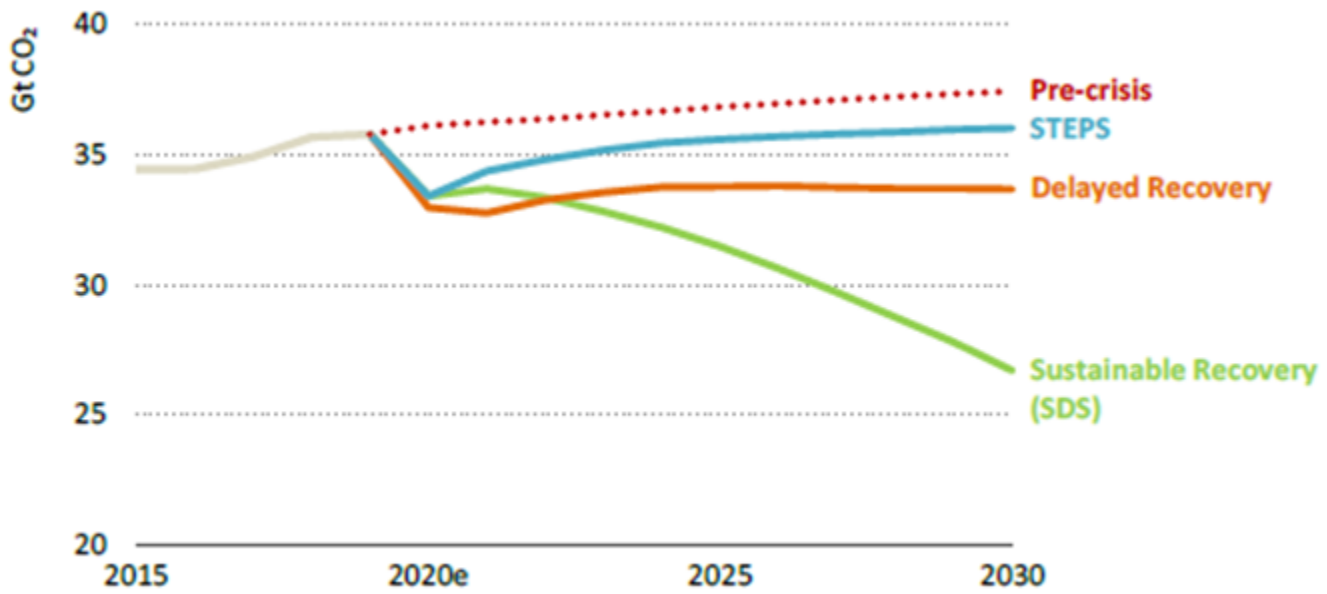

Figure 2: Energy sector and industrial process CO2 emissions by recovery trajectory. Emissions are reduced relative to a pre-COVID crisis trajectory in each scenario, but only a fully sustainable recovery leads to their long-term structural decline.

With the company facing increasing pressure to transition to cleaner energy and reduce its carbon footprint, energy sovereignty becomes the foundation for a just energy transition that balances economic, social, and environmental needs. It enables Pemex to invest in renewable technologies and energy innovations that align with Mexico's national goals while ensuring energy access, affordability, and sustainability for all citizens. In this sense, energy sovereignty is not just about maintaining control over resources but ensuring that energy systems contribute to broader societal goals such as poverty alleviation, job creation, and environmental justice.

Sovereignty as a universal benchmark could not be achieved in the foreseeable future as every country moves at different paces, but Mexico is a laggard nonetheless. Any comprehensive plan asset by asset in Pemex's transition would specify the gains of every scenario - money integrated, completely elastic on renewables, or mixed - and a reviewed risk analysis and framework.

The table below provides insight, based on financial analysis and scenario analysis through the lens of the Harvest Mode pathway. It examines four different financial categories including Strategy, Balance Sheet, Finances, and Operations to understand how current key metrics are positioned, and how they can be positively impacted and realized through Harvest Mode implementation. Along with this, this table also attaches relevant Common Good Metrics to each category and metric, which can help further align Pemex and the Mexican government with the core values of energy sovereignty and doing good for the broader Mexican community.

	Metric	Current Status 2024	Trend	Target	Harvest Mode	Time to Realization	Common Good Metric
Strategy	Environmental Investment	Weak	Improving ↑	8% of capex	Medium	TBD	**B3:** Use of funds in relation to social and environmental impacts. **D3:** Impact on the environment of the use and disposal of products and services. **E3:** Reduction of environmental impact.
	Social Impact Programs	Moderate	Stable →	Maintain	Medium	TBD	**A2:** Solidarity and social justice in the supply chain. **B2:** Social position in relation to financial resources. **E2:** Contribution to the community.
	Asset Portfolio	Weak	High Cost Base	Optimize	High	TBD	**B4:** Ownership and co-determination. **B3:** Use of funds in relation to social and environmental impacts.
Balance Sheet	Current Ratio (0.48x)	Critical	Stable →	0.8x minimum	High	TBD	**B4:** Ownership and co-determination. **D3:** Use of funds in relation to social and environmental impacts.
	Fixed Asset Efficiency	Weak	Declining ↓	15% improve-ment	Medium	TBD	**B3:** Use of funds in relation to social and environmental impacts.
	Maintenance Requirement	Critical	High Cost	30% reduction	High	TBD	**E3:** Reduction of environmental impact.
Finances	Operating Cash Flow ($9.7B, FCF -$4.8B)	Critical	Declining ↓	Positive free cash flow	High	TBD	**B3:** Use of funds in relation to social and environmental impacts.
	Debt Service ($8.6B int, $28.7B ST)	Critical	Worsening ↓↓	Refinance short-term debt	High	TBD	**A4:** Transparency and co-determination in the supply chain. **B4:** Ownership and co-determination.
	EBIDTA ($15.1B, 15.5% margin)	Moderate	Declining ↓	20% margin	Medium	TBD	**B3:** Use of funds in relation to social and environmental impacts.
Operations	Production (1.65 MMbpd)	Critical	Declining ↓	Stabilize decline	High	TBD	**B3:** Use of funds in relation to social and environmental impacts.
	CAPEX ($16.5B)	Critical	High maintenance	Reduce by 30%	High	TBD	**B3:** Use of funds in relation to social and environmental impacts.
	Working Capital ($-34.6B)	Critical	Worsening ↓↓	Improve to -$20B	High	TBD	**B3:** Use of funds in relation to social and environmental impacts.

Table 1: Pemex and Mexico's Energy Sovereignty: Harvest Mode Impacts Measured Using the Common Good Approach.

Pemex should explore opportunities to diversify its business portfolio. Adopting renewable energy initiatives can be one way to remain relevant in a rapidly changing world. The company is currently lagging behind its peers in recognizing the energy transition and in updating its business model to reflect those new realities that will transform the hydrocarbon sector profoundly. Participating in - and driving - the transition towards *electromobility* will allow Pemex to meet five public goals at once: improving energy sovereignty, solid financial performance, efficiency, environmental responsibility and a sensible use of Mexico's hydrocarbon heritage which is currently being burned in inefficient cars at an alarming rate and can be redirected towards high-value uses to the degree that the transport sector relies on modern technology and renewable energy.

Pemex future is inseparable from Mexico's prosperity. By building on harvest mode and aligning its operations and strategy with its new purpose of contributing to wellbeing, Pemex can stabilize its finances, reduce environmental impact, and contribute more meaningfully to the livelihoods of the Mexican citizens.

The new Pemex, like Ørsted A/S and Moeve before it, is not merely a corporate entity but a force for national progress, delivering benefits to all Mexicans and ensuring that Mexico's resources truly serve its people. The integration of these strategies will guarantee Pemex's role not only as a cornerstone of Mexico's development, but of Mexico's *sustainable* development.

Summary

Our analysis points to both a gap and an opportunity in Pemex's strategy: adopting the Common Good Matrix 5.1 would give Pemex a structured way to measure, monitor, and manage its impact.

This is an opportunity to build the first integrated evidence base linking Harvest Mode, Common Good Metrics, ESG frameworks, and national energy sovereignty objectives—supporting informed decision-making, strengthening public value creation, and ensuring that Mexico's hydrocarbon heritage is managed with long-term national wellbeing in mind.

An estimated 40% of the Matrix's direct verification indicators map closely onto commonly used ESG metrics, including Refinitiv's — meaning Pemex could build much of a Common Good Balance Sheet from data it already collects for ESG reporting, rather than standing up a separate process. That overlap also makes the approach replicable: because it builds on ESG frameworks Pemex and other companies already use, the same methodology could extend to other Mexican state-owned enterprises.

Our analysis further shows that Harvest Mode — where Pemex ceases new upstream investment and instead focuses on capturing value from existing assets and profitable mid- and downstream activities — limits the environmental and social impact of new upstream activity while generating a larger cash flow than a business-as-usual approach, since no capital is tied up in new investment. As a result, Pemex could improve its financial position and become less reliant on the Government of Mexico as its ultimate obligor and fiscal backstop.

1

Consistent with Harvest Mode, our analysis also supports redirecting capital away from high-risk ventures like fracking and toward electromobility. Redirecting a portion of Pemex's annual capex to EV charging infrastructure — leveraging its retail network and Mexico's growing renewable-powered grid — could diversify revenues, stabilize cash flows, and support national emissions targets, without the capital intensity and reputational risk of further fracking investment.

Recommendations

Implementing Harvest Mode would redirect Pemex's capital flows to reduce risk in traditional investments and increase returns from environmental and social initiatives, as outlined below.

- **Environmental Investments:** Renewable energy sources currently represent only 24.3% of Pemex's energy profile — a weak starting point. Under Harvest Mode, we model Pemex directing a targeted 8% of

capex toward environmental investment, better aligning operations with Common Good Metrics (CGMs) and the broader public interest.

- **Social Impact Programs:** Pemex's social impact programs — structured initiatives addressing social challenges with measurable community returns — are already relatively successful. Harvest Mode would build on these efforts, embedding a sustained CSR culture and supporting the CGM of social responsibility to the community.
- **Asset Portfolio:** Pemex's standalone credit profile is weak (Fitch rates it CCC-). Integrating Harvest Mode through optimization of lower-cost base assets is modeled to improve portfolio returns while supporting the CGMs of ownership, co-determination, and social and environmental impact funding.
-

Financials: Pemex has seen notable declines in key financial metrics, including EBITDA margin, free cash flow, and debt accumulation. If these trends continue, Pemex risks default or difficulty meeting stakeholder obligations. Harvest Mode is designed to address this through refinancing and reduced capital spending, while also advancing the CGMs of social and environmental impact spending and ownership and co-determination.

- **Current Ratio:** Pemex's current ratio stands at 0.48x, signaling low liquidity and heavy reliance on external funding. Under Harvest Mode, we model an improvement toward a minimum ratio of 0.8x, giving Pemex greater independent capacity to navigate growth and unforeseen circumstances while supporting the CGMs of ownership and co-determination.
- **Fixed Asset Efficiency:** Pemex holds US$90 billion in fixed assets, reflecting a capital-intensive structure with high operating costs and limited net profitability. Adopting Harvest Mode is modeled to improve this metric by roughly 15%, boosting free cash flow through lower capital expenditure while supporting the CGM of social and environmental impact funding.
- **Maintenance Requirement:** Pemex's total capital expenditures of $16.5 billion in 2023 implies high associated maintenance requirements; Harvest Mode addresses this critical issue by reducing upkeep costs by 30% through gradual retirement of aging assets and elimination of projects requiring unsubstantiated climate investment. Consequently, operational profitability will be elevated, while the CGM of reducing environmental impact via less carbon emitted will be supported.
- **Operating Cash Flow:** Pemex's operating cash flow stands at US$ 9.7 billion, with FCF currently at negative US$ 4.8 billion, with expectations for FCF to further decline. Adopting Harvest Mode is modeled to move Pemex into positive FCF territory by prioritizing cash-flow-positive activities, supporting the CGM of social and environmental impact funding.
- **Debt Service:** With short-term obligations at US$28.7 billion and debt expected to rise in coming years, Pemex faces mounting liquidity pressure. Harvest Mode is modeled to ease this through refinancing short-term debt — improving liquidity and the attractiveness of Pemex's financial statements — while supporting CGM transparency and co-determination across the supply chain.
- **EBITDA:** Pemex's EBITDA fell from US$29.4 billion in 2022 to US$15.1 billion in 2023, with margin contracting from 24.8% to 15.5% — reflecting rising costs and revenue pressure. Under Harvest Mode, we model a path back toward a 20% margin, reversing this trend while supporting growth in the CGM of social and environmental impact funding.

Operations: Our analysis demonstrates that Pemex is spending more on fossil fuel investments despite a dwindling return, further entrenching the company in debt. Leveraging Harvest Mode will allow Pemex to streamline and stabilize operations such that traditional energy assets are smoothly phased out while capital expenditures and working capital ratios regress to healthy levels.

- **Extraction:** Currently, Pemex extracts roughly 1.65 million barrels per day—a figure that has continued to decline in the past decades. Harvest Mode provides a means for Pemex to stabilize this decline and circumvent operational failure, should reserves become insufficient (projected in the next 3 decades in analysis). Through strategic winding down of extraction, Pemex can not only achieve greater operational success but also support the CGM of fund use related to social and environmental impacts.
- **Capex:** Capital expenditure, at US$16.5 billion in 2023, is not only outsized relative to operating cash flows, but is also directed primarily towards aging infrastructure and new projects vulnerable to climate risk. A shift to Harvest Mode can both help Pemex reach the targeted 30% reduction in capex but also supports the CGM of fund use related to social and environmental impacts.
- **Working Capital:** Pemex's working capital position shows a deficit of US$ 34.6 billion, with a current ratio of 0.48x indicating significant liquidity pressure. A shift to Harvest Mode will help to reverse this currently worsening trend, helping Pemex achieve its working capital target of US$ 20 billion. Through this shift, Pemex will improve operational flexibility, reduce reliance on external financing, and support the CGM of fund use related to social and environmental impacts.

Responsible Alpha's Applied Framework used for this Research Program:

Phase 1 — Diagnostic & Baseline Map Pemex's current financial, environmental, and social footprint using a harmonized CGM–ESG framework.

Phase 2 — Asset-Level Harvest Mode Modeling Quantify operational savings, emissions reductions, and debt impacts under multiple scenarios.

Phase 3 — Energy Sovereignty Impact Assessment Evaluate how each strategic pathway contributes to national energy access, resilience, and long-term sovereignty.

Phase 4 — Transition Blueprint Development Identify which global transition lessons are transferable to Pemex and design a Mexico-specific roadmap.

Phase 5 — Policy & Investor Engagement Package Produce decision-grade materials to support communication with regulators, investors, and the public.

This research program is designed to support—not critique—Mexico's energy strategy. It offers Pemex and policymakers a structured, evidence-based pathway to strengthen financial stability, environmental stewardship, and national wellbeing.

APPENDIX

Balance Sheet

Current Financial Position

Pemex's balance sheet reflects a complex financial structure characterized by a substantial asset base of US$ 136.0 billion, offset by significant liabilities of US$ 233.6 billion, resulting in a negative equity position of $97.6

billion. This structural imbalance represents both historical challenges and current operational constraints that require careful consideration.

Asset Structure Analysis

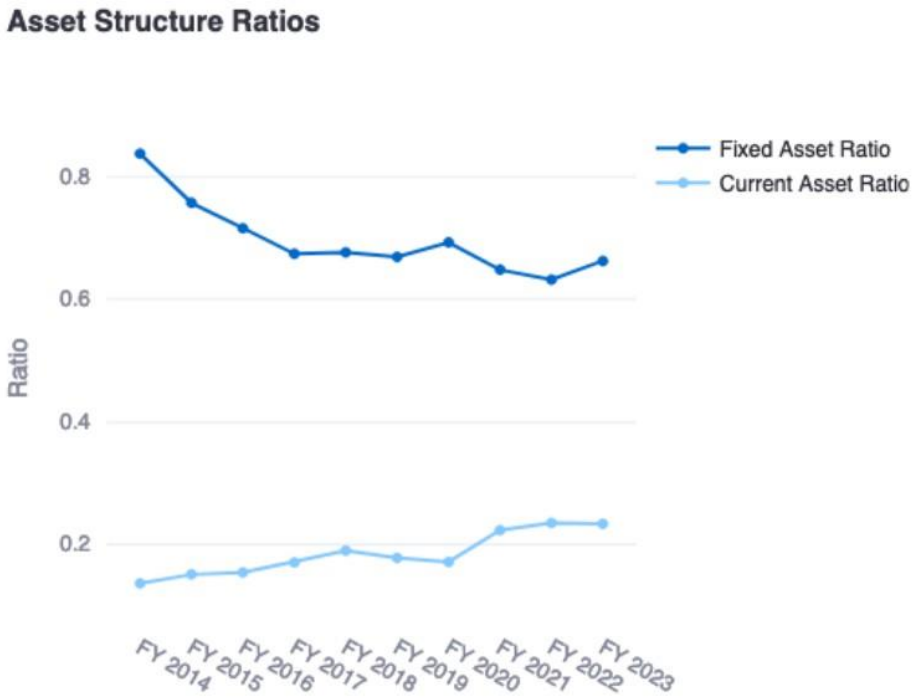

Figure 3: Pemex Asset Structure Ratios

The company's asset composition is dominated by fixed assets totaling US$ 90.1 billion, representing approximately 66% of total assets. This high concentration in fixed assets reflects Pemex's capital-intensive nature as a national oil company. The fixed asset base primarily consists of production infrastructure, refineries, and distribution networks, which form the core of Pemex's operational capabilities.

Current assets amount to US$ 31.8 billion, with a relatively constrained liquidity position evidenced by cash and equivalents of US$ 4.1 billion. The working capital structure shows accounts receivable and inventories each at US$ 6.6 billion, indicating potential opportunities for operational efficiency improvements. This current asset position, when viewed against short-term obligations, reveals significant liquidity management challenges.

Liability Profile and Capital Structure

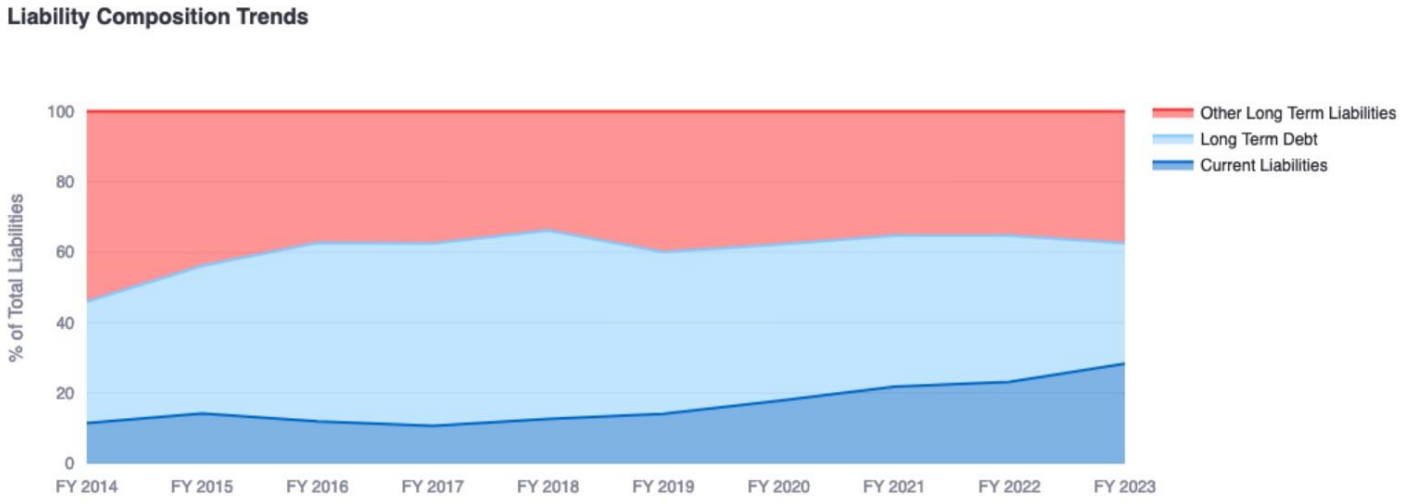

Figure 4: Liability Composition Trends.

The liability structure presents a concerning picture, with short-term obligations of US$ 66.4 billion creating immediate pressure on liquidity management. Within this, accounts payable of US$ 21.8 billion and short-term debt of US$ 28.7 billion require active management to ensure operational stability. The long-term liability position of US$ 167.3 billion includes substantial debt obligations of US$ 79.8 billion and pension liabilities of US$ 81.0 billion, reflecting significant long-term structural challenges (Figure 4).

The negative equity position of US$ 97.6 billion represents the cumulative impact of historical losses, substantial pension obligations, and a heavy debt burden. This capital structure imbalance limits financial flexibility and increases reliance on external funding sources. The debt to assets ratio of 79.7% and long-term debt to capital ratio of 737% indicate leverage levels that exceed sustainable thresholds for most oil and gas companies.

Working Capital and Liquidity Analysis

Pemex's working capital position shows a deficit of US$ 34.6 billion, with a current ratio of 0.48x indicating significant liquidity pressure. This working capital structure limits operational flexibility and increases reliance on external financing for day-to-day operations. The limited cash buffer against operational needs creates vulnerability to market volatility and potential disruptions in cash flow (Figure 5).

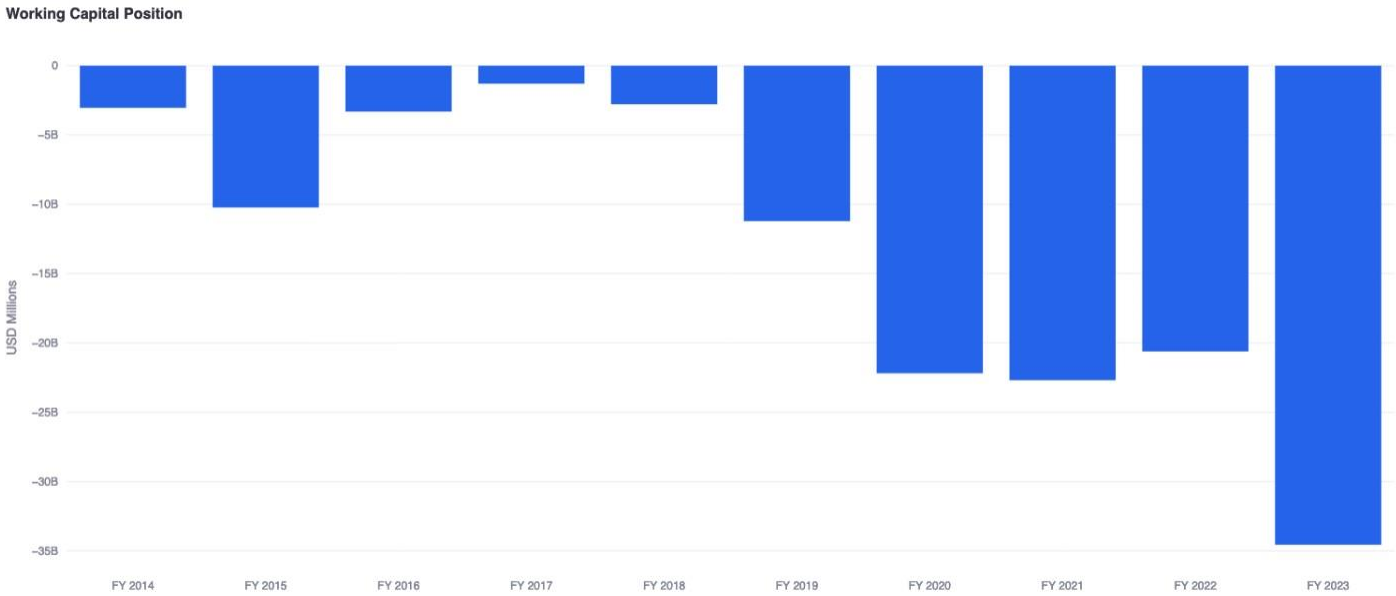

Figure 5: Working Capital Position.

Income Statement

Operating Performance Overview

Pemex's income statement reveals challenging operational dynamics, with revenues of US$ 97.1 billion in FY2023 representing a significant decline from the previous year's US$ 118.5 billion. This 17.9% reduction in top-line performance indicates sensitivity to market conditions and production challenges. Operating income contracted significantly to US$ 8.4 billion in 2023 from US$ 21.9 billion in 2022, highlighting pressure on operational efficiency and margin compression.

Revenue Analysis and Market Dynamics

The revenue composition reflects Pemex's integrated operations across the hydrocarbon value chain. Industrial transformation activities account for 44.2% of revenue, while exploration and production contribute 25.8%, and trading operations represent 19.7%. This diversified revenue structure provides some operational stability but also exposes the company to multiple market risks and operational challenges across different segments (Figure 6).

Figure 6: Financial Analysis.

The year-over-year revenue decline primarily stems from lower realized prices and production volumes, particularly in the upstream segment. The trading segment's contribution has remained relatively stable, providing some offset to volatility in core operational revenues. However, the overall trend suggests structural challenges in maintaining revenue growth across key business segments (Figure 7).

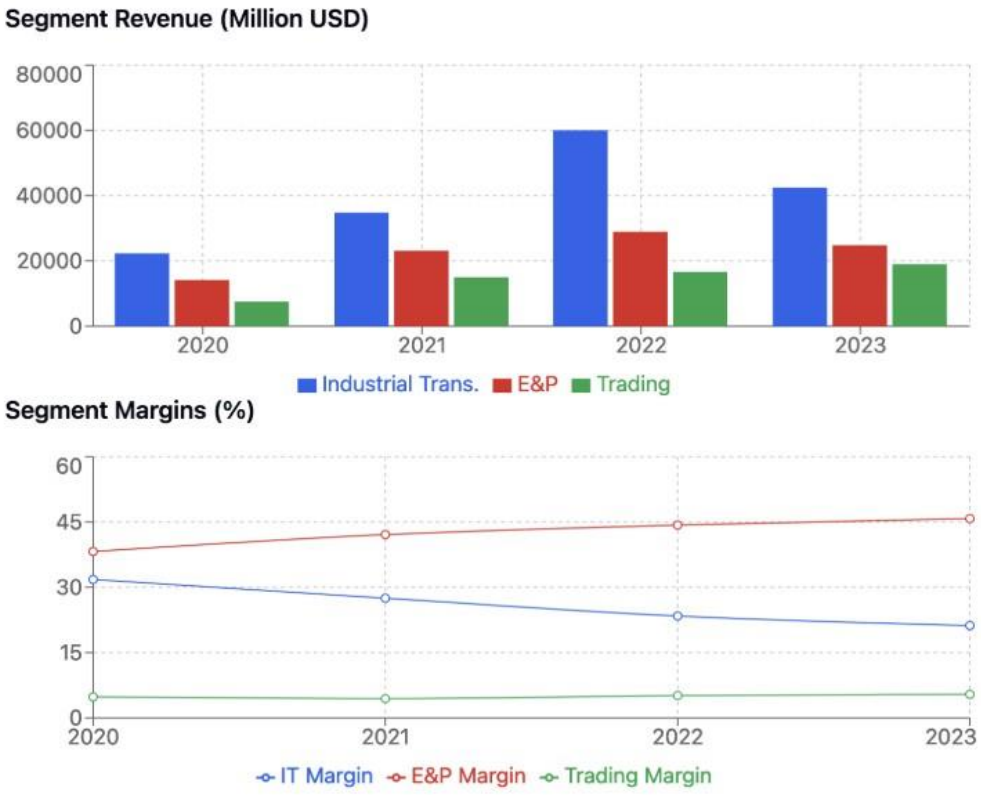

Figure 7: Revenue by Segment.

Cost Structure and Margin Analysis

The cost profile shows significant pressure on margins, with cost of revenue reaching US$ 79.6 billion in 2023, representing 82% of revenue compared to 74.8% in 2022. This margin compression reflects several factors:

The gross margin contracted to 18.1% in 2023 from 25.2% in the previous year, indicating challenges in maintaining pricing power and managing production costs. Operating expenses, including SG&A, remained relatively stable at US$ 10.0 billion, but their impact on margins increased due to the lower revenue base (Figure 8).

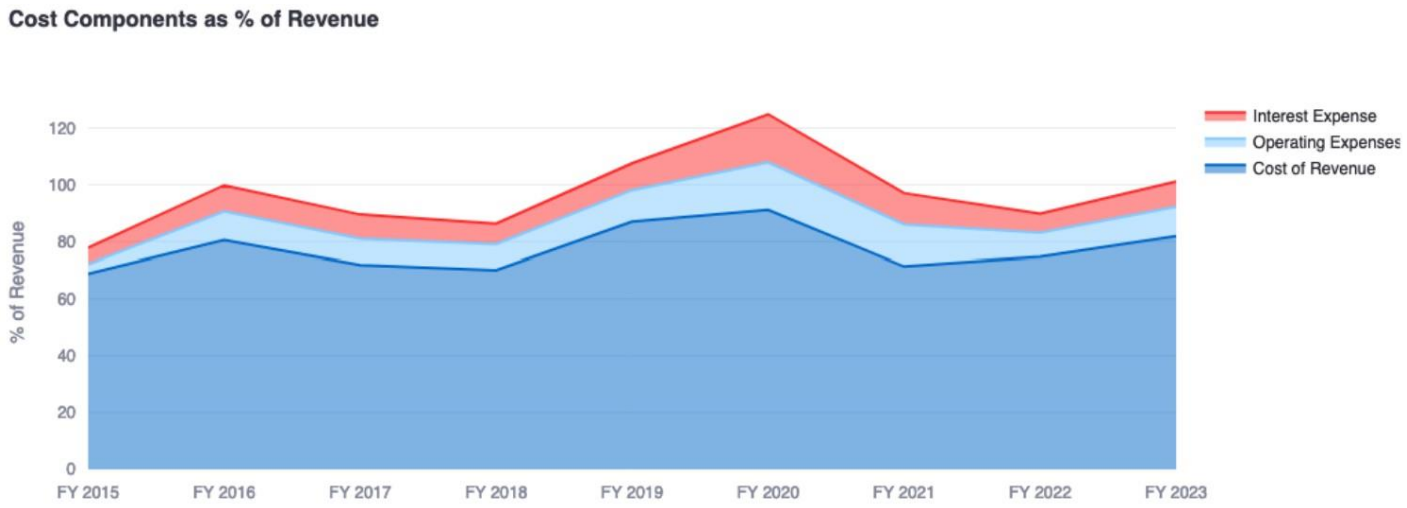

Figure 8: Cost Structure.

EBITDA of US$ 15.1 billion in 2023, down from US$ 29.4 billion in 2022, demonstrates the significant impact of operational challenges on cash generation capacity. The EBITDA margin contracted to 15.5% from 24.8%, reflecting both revenue pressure and cost challenges.

Financial Expenses and Bottom-Line Performance

Interest expenses continued to represent a substantial burden, reaching US$ 8.6 billion in 2023, reflecting the company's significant debt load. The interest coverage ratio (EBIT/Interest Expense) declined to 0.98x in 2023 from 2.76x in 2022, indicating increased pressure on debt service capacity.

Net income remained positive but modest at US$ 457.7 million in 2023, a significant decrease from US$ 5.0 billion in 2022. This bottom-line performance reflects the combined impact of operational challenges, financial expenses, and foreign exchange effects. The net margin contracted to 0.47% from 4.21%, highlighting the thin profitability buffer against adverse market conditions.

Operational Efficiency Analysis

Operating efficiency metrics reveal ongoing challenges in cost management and productivity. The operating margin declined to 8.7% from 18.5%, indicating difficulties in maintaining operational leverage. Employee productivity metrics show some resilience, with revenue per employee maintained at relatively stable levels despite the challenging environment.

The company's ability to control operating expenses remained relatively stable, but the lower revenue base resulted in higher expense ratios. This suggests potential opportunities for further operational optimization and cost control measures to improve profitability.

Non-Operating Items and Extraordinary Effects

Foreign exchange effects provided some relief with gains of US$ 13.4 billion in 2023, helping to offset operational pressures. However, reliance on such non-operational items for profitability improvement indicates vulnerability to external factors beyond management control.

Tax expenses remained substantial at US$ 12.4 billion in 2023, reflecting the company's role as a significant contributor to government revenues despite operational challenges. This tax burden continues to impact bottom-line performance and financial flexibility.

Cash Flow Statement

Operating Cash Flow Performance

Pemex's operating cash flow performance demonstrates notable resilience despite challenging market conditions, generating US$ 9.7 billion in operating cash flow for FY2023. This represents a modest decline from the previous year's US$ 10.0 billion, indicating the company's ability to maintain fundamental cash generation despite operational pressures. The maintenance of positive operating cash flow underscores the underlying strength of core operations, though the declining trend warrants attention (Figure 10).

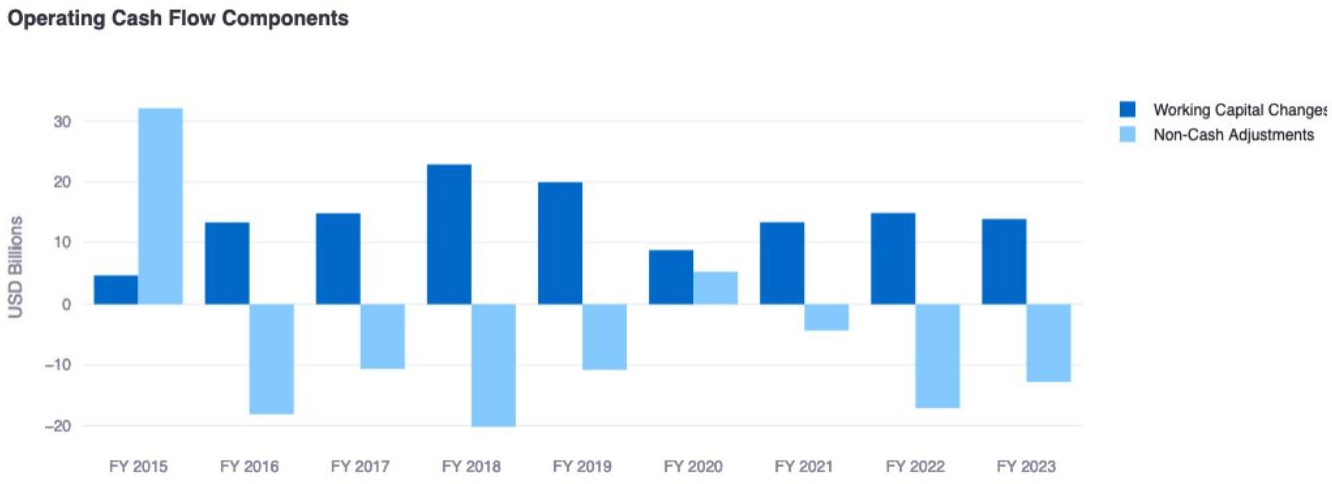

Figure 9: Operating Cashflow.