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Intelligence Information Cable IN 199071AA

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STATE/INR JCS/MC(DIA) [redacted] ←
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DIRECTORATE OF OPERATIONS

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REPORT CLASS ~~SECRET~~ ~~INTEL~~ ~~NOFORN~~ [redacted] ←

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COUNTRY: MEXICO

SUBJECT: DECISION OF PRESIDENT JOSE LOPEZ-PORTILLO NOT TO INCREASE MEXICO'S NATURAL GAS ASKING PRICE DURING MID-FEBRUARY DISCUSSIONS WITH U.S. PRESIDENT JIMMY CARTER [redacted]

SUMMARY: PRESIDENT JOSE LOPEZ-PORTILLO HAS DECIDED NOT TO INCREASE MEXICO'S ASKING PRICE FOR ITS NATURAL GAS ABOVE US\$2.60 DURING HIS UPCOMING DISCUSSIONS WITH U.S. PRESIDENT JIMMY CARTER. ALTHOUGH LOPEZ-PORTILLO BELIEVES A SMALL PRICE INCREASE IS JUSTIFIED, HE IS AFRAID THAT PRESIDENT CARTER WILL NOT AGREE TO A PRICE HIGHER THAN THE MUCH PUBLICIZED US\$2.60. [redacted]

[redacted] THE SALE OF MEXICO'S EXCESS GAS PRODUCTIVE CAPACITY TO THE U.S. IS A KEYSTONE TO HIS FOREIGN AND DOMESTIC POLICY. MEASURES WILL BE UNDERTAKEN TO ENSURE THAT THE LEFT WING OF THE INSTITUTIONAL REVOLUTIONARY PARTY (PRI) AND OTHER LEFTIST POLITICAL GROUPS, WHICH HAVE STRONGLY OPPOSED THE SALE OF MEXICAN GAS TO THE U.S., WILL

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DECLASSIFIED UNDER AUTHORITY OF THE INTERAGENCY SECURITY CLASSIFICATION APPEALS PANEL, E.O. 13526, SECTION 5.3(b)(3)

ISCAP APPEAL NO. 2012-051, document no. 7
DECLASSIFICATION DATE: March 05, 2018

Withheld under statutory authority of the Central Intelligence Agency Act of 1949 (50 U.S.C., section 3507)

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WARNING NOTICE
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NOT CASTIGATE THE MEXICAN GOVERNMENT (GOM) UNNECESSARILY SHOULD
A GAS DEAL BE WORKED OUT WITH THE U.S. END SUMMARY.

[REDACTED]

2. [REDACTED]

MEXICO WILL NOT INCREASE ITS NATURAL GAS ASKING PRICE
ABOVE US\$2.60 PER 1,000 CUBIC FEET DURING HIS MID-FEBRUARY
DISCUSSIONS WITH U.S. PRESIDENT JIMMY C A F T E R.
LOPEZ-PORTILLO BELIEVES THAT A SMALL PRICE INCREASE IS
JUSTIFIED BUT IS AFRAID THAT PRESIDENT CARTER WILL NOT
AGREE TO A PRICE HIGHER THAN THE MUCH PUBLICIZED US\$2.60.

3. [REDACTED]

IF MEXICO DOES NOT SELL ITS EXCESS
NATURAL GAS TO THE U.S., IT CANNOT USE IT ALL DOMESTICALLY
NOR CAN MEXICO SELL IT TO ANOTHER FOREIGN BUYER. LOPEZ-
PORTILLO IS WELL AWARE THAT MEXICO IS CURRENTLY FLARING
APPROXIMATELY 400 MILLION CUBIC FEET DAILY AND LOSING
ANOTHER 100 MILLION CUBIC FEET DAILY IN THE PROCESS OF
SEPARATING THE OIL AND GAS IN ASSOCIATED GAS. [REDACTED]

[REDACTED] MAINTAIN HIS PUBLIC IMAGE OF NOT

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WANTING TO SELL ANY MEXICAN GAS TO THE U.S. UNLESS IT IS
EXCESS PRODUCTIVE CAPACITY. IN ADDITION, [REDACTED]

[REDACTED] MEXICO CAN, IN FACT, CONSUME MOST OF ITS
GAS DOMESTICALLY. [REDACTED]

[REDACTED]

[REDACTED]

5. THERE IS GENERAL KNOWLEDGE [REDACTED]

THAT

[REDACTED]

[REDACTED]

THE SALE OF MEXICO'S EXCESS GAS

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PRODUCTIVE CAPACITY TO THE U.S. IS A KEYSTONE OF HIS FOREIGN
AND DOMESTIC POLICY. LOPEZ-PORTILLO'S KEY POLITICAL ADVISORS
HAVE SUPPORTED HIM ON THIS ISSUE AND HAVE PRAISED HIM FOR
DAMPENING THE POLITICAL AND PUBLIC FIRES ON THE PRICE ISSUE

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BY NOT PRESSING IN PUBLIC FOR A HIGHER PRICE THAN US\$2.60.

6. [REDACTED] HE COULD LOGICALLY
PRESS FOR A HIGHER PRICE THAN US\$2.60 CONSIDERING THE LATEST
ROUND OF ORGANIZATION OF PETROLEUM PRODUCING COUNTRIES (OPEC)
PRICE HIKES. [REDACTED] TO DO SO
WOULD ENSURE U.S. REJECTION OF PURCHASING MEXICAN NATURAL
GAS. LOPEZ-PORTILLO HAS, HOWEVER, BEEN URGED TO MAKE THIS
POINT DURING HIS DISCUSSIONS WITH CARTER AS EVIDENCE OF
HIS "GOOD FAITH" AND "REASONABLENESS" IN DEALING WITH THE
U.S. AND TO DEMONSTRATE HIS WILLINGNESS TO RESOLVE A
PARTICULARLY DIFFICULT BILATERAL ISSUE.

7.

[REDACTED] THE MEXICAN GOVERNMENT (GOM) WILL EXPECT
SOLIDARITY BOTH FROM THE VARIOUS GOM SECRETARIATS AND FROM
THE PRI ON THE SALE OF NATURAL GAS TO THE U.S. HE EXPECTS
CARVAJAL TO KEEP THE LEFT WING OF THE PRI IN LINE AND WILL
REPORTEDLY USE ALL MEANS POSSIBLE TO ENSURE THAT THE LEFTIST
POLITICAL PARTIES WILL NOT CASTIGATE THE GOM UNNECESSARILY
SHOULD A GAS SALE BE ARRANGED.

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8. BECAUSE THE GOM HAS NOT PUBLICLY RAISED THE POSSIBILITY
OF INCREASING ITS ASKING PRICE ABOVE US\$2.60, LOPEZ-PORTILLO'S
PETROLEUM AND POLITICAL ADVISORS BELIEVE THEY CAN IGNORE
THE RECENT OPEC PRICE INCREASES WHEN REPORTING TO THE
MEXICAN PUBLIC WHAT THEY HOPE WILL BE A PROBABLE SALE OF

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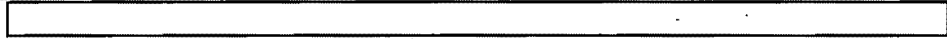
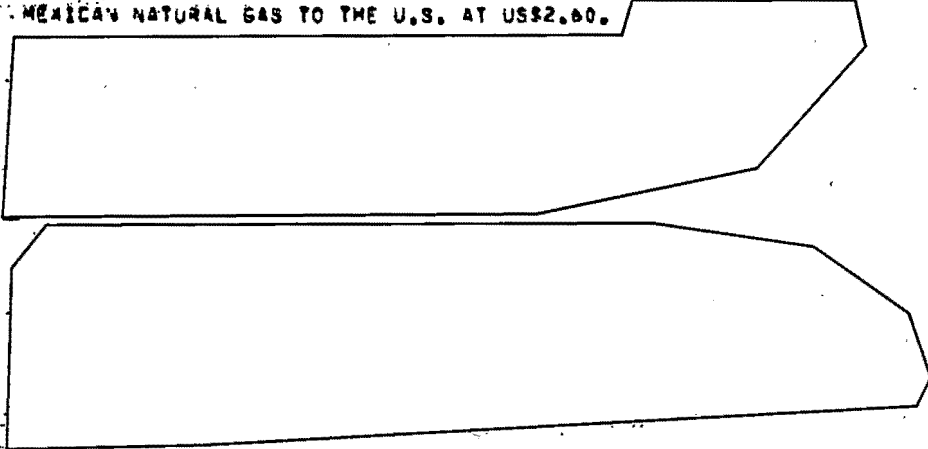
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MEXICAN NATURAL GAS TO THE U.S. AT US\$2.60.



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REPORT CLASS ~~SECRET~~--WARNING NOTICE--INTELLIGENCE SOURCES
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ALL PORTIONS

CARRY CLASSIFICATION AND CONTROLS OF OVERALL DOCUMENT