

New Regulation on Transfer Operations of Hydrocarbons and/or Oil Products

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Introduction

On January 23, 2019, the National Agency for industrial Safety and Environmental Protection of the Hydrocarbons Sector (“**ASEA**”) published the “*General Administrative Provisions on the Guidelines for the Design, Construction, Pre-start, Maintenance, Closing, Dismantling and Abandonment of the Facilities and Transfer Operations associated with the Transportation and/or Distribution of Hydrocarbons and/or Oil Products activities, by means other than Pipelines*” (the “**Provisions**”).

The Provisions apply to permit holders in charge of the transportation and/or distribution of hydrocarbons and/or oil products by means other than pipelines, such as tank trucks, tank vessels and/or by railroad (the “**Obligors**”), in connection with the transfer, racking, loading, discharge, reception or delivery of such hydrocarbons and/or oil products (the “**Transfer Operations**”).

Scope of the Provisions

The Obligors must comply with certain obligations and requirements set forth in the Provisions, including:

- **Insurance.** Must be provided by the Obligors and cover damages and losses caused to third parties in connection with the Transfer Operations.
- **Risk Analysis.** The Obligors must have risk analysis to identify, analyze, evaluate and generate risk mitigation alternatives for risk caused by the Transfer Operations.
- **Law Regulation.** The Obligors must comply with the applicable Official Mexican Standards, and in their absence, with the codes, standards and international specifications that apply to Transfer Operations.
- **Facilities Design.** The Obligors must design the construction, enlargement or modification of their facilities, complying with certain rules for the site, system and equipment selection for the Transfer Operations, such as hoses and loading arms, venting and pressure relief systems, sewage, electrical facilities, and safety and control systems, among others.
- **Construction.** The construction of facilities must comply with their design, in accordance with the applicable regulations, as well as follow certain rules in terms of waste management, verification of the proper equipment installation, quality control systems, records of materials and installed components, material and equipment storage and management, as well as the preparation of final construction plans (“as built”).

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- **Pre-start.** There must be a physical and documentary inspection of the safety of all equipment and facilities related to the Transfer Operations before the start or re-start of operations. A team composed by personnel with experience in said equipment and facilities will carry out this inspection, as well as the personnel that will operate and give maintenance once the start and re-start of operations is completed.
 - **Operation.** A safety inspection of the facilities must take place before the start of the Transfer Operations, through verification lists. Additionally, certain rules must be complied with in terms of risk mitigation, safety zones, personnel training, and supervision and response to alarms triggered by leaks and spills.
 - **Maintenance.** The Obligor must develop and execute a predictive, preventive and corrective maintenance program, in order to be able to identify, prevent and redress situations that may generate risks or interruptions to the operation of the equipment and facilities related to the Transfer Operations.
 - **Special Provisions.** The Provisions foresee specific procedure rules and safety rules for the Transfer Operations related to transportation and/or distribution activities of hydrocarbons and/or oil products by means other than pipelines, such as tank trucks, tank vessels and/or by railroad.

The Provisions entered into force on January 24, 2019. Nonetheless, the applicability of the Provisions will vary in accordance with the stage of the corresponding project, whether the project is in the design, operation, and extension or modification stage.

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