

The New York Times

Trump's Anti-Nafta Stance Is on a Collision Course with Natural Gas

By CLIFFORD KRAUSS and AZAM AHMED JUNE 26, 2017



Roads connecting drilling pads with oil and gas wells in Texas. Half of Mexico's electricity is powered by American natural gas, leaving the nation vulnerable to any upheavals from a trade battle with the United States. Credit Michael Stravato for The New York Times

HOUSTON — Of all the industries thrown into question by President Trump's promise to upend free trade with [Mexico](#), [natural gas](#) is easily one of the most important.

More than a quarter of Mexico's electricity is powered by American natural gas, leaving it especially vulnerable to any upheavals from a trade battle with the United States.

But selling natural gas to Mexico is also a godsend for the American energy industry, which is lobbying the White House to emphasize just how crucial the relationship with Mexico is.

With billions of dollars at stake and zigzagging administration stances on trade, American energy companies are taking no chances. They are also setting their sights on an old friend in a unique position to help: [Rick Perry](#), the former governor of Texas, who recently served on the board of a pipeline company that ships natural gas to Mexico and who is now Mr. Trump's energy secretary.

The New York Times

“What we will do is reach out to our own Texan, [Energy Secretary Rick Perry](#), and bend his ear,” said Steven H. Pruet, chief executive of Elevation Resources, a Texas [oil](#) and gas company. “And say, ‘Please, please get the Trump administration to back off of the Nafta cancellation rhetoric and enable us to continue to have the economic boom that natural gas has created for Texas.’”

Under the [North American Free Trade Agreement](#), which Mr. Trump has threatened to terminate unless he can get a “fair deal” for the United States, the authorization of natural gas exports is virtually automatic.

But if the United States pulls out of the agreement, it will be up to the Energy Department to approve future gas exports considered to be in the national interest.

That places Mr. Perry in a pivotal role at a tense time, and there is good reason to consider him a friend of the industry. As governor of Texas, he defended contentious practices like fracking to promote his state’s oil production and natural gas exports. Under his watch, production of natural gas in the state soared 50 percent.

After he left office, Mr. Perry joined the board of [Energy Transfer Partners](#), a company that has completed four gas pipelines to Mexico in the last two years.

And when he ran for president in 2016, the company’s chief executive became the single biggest contributor to Mr. Perry’s ill-fated campaign.

Kelcy Warren, Energy Transfer’s chief executive, donated more than \$6 million of the [\\$16.7 million raised by the 2016 Perry presidential campaign](#), according to Federal Election Commission data compiled by the Center for Responsive Politics. Most of the money was then returned to Mr. Warren when Mr. Perry dropped out of the race.

“Rick Perry is a really good friend of mine and he is a bright guy,” Mr. Warren said. “He understands the energy business quite well, and it gives me great comfort that he is in that position.”

Last month, the Trump administration gave Congress [official notice](#) that it planned to renegotiate Nafta, a pact that the president has called “the worst trade deal ever.”

Then this month, the American Petroleum Institute, one of the strongest lobbies in Washington, made its position unmistakably clear in an open letter to the administration stating that “the current NAFTA agreement works for the oil and gas industry.”

The New York Times



Rick Perry, the United States energy secretary, recently served on the board of a pipeline company that ships natural gas to Mexico. He also hails from the state that would be most affected by disruption in the natural gas trade: Texas. Credit: Al Drago/The New York Times

Mr. Perry says he understands the symbiotic nature of the relationship between Mexico and American energy companies, and he has promised to do what he can to maintain it. Even in the unlikely event that Nafta could not be renegotiated, he said, he would fully support continuing the energy trade.

“I see this as an opportunity to allow an American natural resource to help bolster both countries’ economies,” he said. “The overall goal of the Trump administration is to sell what Americans make to bolster this economy. If you are selling it to a partner, a neighbor, even better.”

Mr. Perry said his stance was not clouded by his former job on the board of Energy Transfer. Having already passed through the revolving door between government and the energy industry, Mr. Perry said, he was in no way conflicted about his new role.

“I work for [Donald Trump](#) and I work for the American people,” he said.

Mr. Trump’s threats against Mexico and shifting statements about withdrawing from Nafta have prompted some worry, however, persuading Mexican officials to begin exploring options in the event of a cutoff.

The New York Times

“In the context of an escalating trade war, a cutoff of gas by one side or the other is possible,” said Kevin Book, managing director of ClearView Energy Partners, an energy research firm.

Such a move, according to Mr. Book, would summon what he calls a “mutually assured destruction scenario,” in which American companies suffer a serious loss of income and Mexico faces an energy shortage that could devastate the most basic functions of its mega-capital, Mexico City.

The impact on the United States could also hit home for some of the most important members of Mr. Trump’s cabinet and support base. With American gas exports to Mexico expected to double by 2019, most gas will come from Texas, a vital Republican stronghold that is the home state of both Mr. Perry and Secretary of State [Rex W. Tillerson](#).

Mr. Trump’s threats have “created some worry on Mexico’s part, and as a result Mexico has looked at its backups and alternatives,” said Carlos Pascual, the former American ambassador to Mexico and a senior vice president for IHS Global Energy. “But the first screams that would go up if the U.S. were to cut off natural gas shipments to Mexico would come from the oil and gas producers in Texas.”

At least 17 pipelines currently carry more than four billion cubic feet of natural gas a day to Mexico, with four additional cross-border pipelines to be completed over the next two years and many more in the planning phase.

Expanding natural gas sales to Mexico has become increasingly important because [the glut of production in the United States](#) far exceeds domestic demand. In short, to keep the price of natural gas from collapsing, American producers need Mexico, their largest customer.

For Mexico, natural gas is a linchpin of its future. It will become the major source of the nation’s power in the next decade, a crucial resource to generate electricity for citizens and industries. Mexico’s Energy Ministry announced a five-year plan in 2015 to expand the country’s pipeline network to accommodate increased imports of gas.

With American natural gas both cheap and readily available, Mexican oil executives have set aside plans to produce their own gas from their country’s shale fields. That has left some worried that if the trade relationship falters, Mexico could suddenly be on shaky ground. Mexican officials have begun to explore importing liquid natural gas from countries like Peru.

Publicly, however, officials and executives in Mexico have been cautiously optimistic about the future of the energy trade. In an appearance at Rice University last month, José Antonio González, chief executive of the national oil company Petróleos Mexicanos, said he felt confident that Mr. Trump’s trade policies would not interrupt the flow of oil and gas between the nations.

“Trade is a win-win, especially in energy,” he said with a smile. “In the case of Mexico and United States it is clearly complementary.”

Mr. Perry largely agreed, acknowledging the importance of the natural gas trade to American companies and their efforts to protect it.

The New York Times

“Everybody in the private sector is going to look after their interests and their stockholders’ interests. I get that, and that’s fine and good,” he said. “The Trump administration is going to make decisions on how to sell American products, create American jobs, and if that helps bolster the relationship with Mexico and Canada in a North America energy strategy, then there is a lot of reason to celebrate.”

Clifford Krauss reported from Houston, and Azam Ahmed from Mexico City.