



Keeping Oil from the Fire: Tackling Mexico's Fuel Theft Racket

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What's new? The theft and illicit sale of fuel, known in Mexico as *huachicoleo*, experienced an enormous spike after 2010. Rising fuel prices and other unintended effects of energy reforms and security policies have attracted organised crime into this domain, driving up murder rates.

Why does it matter? President Andrés Manuel López Obrador made fighting fuel theft a central item on his anti-crime agenda. But although he has had some success, enduring progress toward stopping *huachicoleo* could be elusive, largely due to pervasive official corruption and the failure to promote licit alternatives for earning a living.

What should be done? The government should tackle collusion between state officials and criminal outfits by introducing external oversight over state energy and security institutions. Conflict mitigation plans tailored to violent regions should offer legal alternatives to illicit livelihoods, protect civilians through focused police or military deployments, and support local security and justice institutions.

I. Overview

A crackdown on *huachicoleo* – the theft and illicit sale of fuel – was central to President Andrés Manuel López Obrador's plans to reduce Mexico's soaring violent crime rates when his tenure began in 2018. Fuel theft and associated violence spiked starting in 2010, as fuel prices jumped and criminal groups driven from the drug trade saw an opportunity for profit. López Obrador tightened criminal penalties, sought alternative means of fuel transport and increasingly relied on the military to protect pipelines. While the government reduced the volume of stolen fuel, its claims of swift success seem premature. Areas traversed by pipelines still have a higher average homicide rate than those that are not. Fuel theft was reportedly on the rise once again in 2021, and sanctions linked to Russia's invasion of Ukraine could make the racket still more lucrative by ratcheting up fuel prices again. Tackling collusion between state officials and organised crime, and supporting licit alternatives to crime through region-specific development plans, are the best ways to make lasting progress toward stopping *huachicoleo*.

Huachicoleo's rise highlights an alarming trend among Mexican criminal groups, which have over the past two decades moved away from drug trafficking in an effort to diversify their income sources. A broader portfolio of illicit activities – some involving goods that are part of the legal economy – has made these groups more resilient and the lethal conflicts between them more persistent. Qualitative and quantitative evidence shows that government policy has helped drive the quest for new revenue streams. The military-heavy “war on drugs” broke up the large, powerful criminal organisations that once ran the narcotics trade. Successive governments, however, failed to follow up on this achievement with policies that would address the underlying socio-economic and political causes of crime and conflict by promoting licit alternatives to criminal activity and bolstering a judicial system that too often appears to lack both the will and the capacity to hold criminals to account.

The specific allure of *huachicoleo* for criminal groups can be traced in part to a set of fiscal and energy reforms aimed at redressing losses incurred by the state-owned oil company, Pemex. These measures caused fuel prices to rise, creating higher profit margins for stolen petrol. New criminal groups branching into *huachicoleo* clashed as they sought to expand across Mexico, driving up homicide rates sharply in municipalities with pipelines running through them.

Huachicoleo now serves as an important source of revenue for a number of criminal groups. Yet it would not have become so widespread without the country's chronic judicial impunity, rooted in rampant state corruption and collusion. Officials not only shirk their duty to enforce the law but also actually negotiate with criminal groups to set up extortion and other rackets that prey on legal businesses. In the case of fuel theft, Pemex officials provide criminal groups with the equipment and information they need to tap pipelines or raid tanker truck convoys. President López Obrador has suggested that as much as four fifths of *huachicoleo* is orchestrated by elements of the state.

Huachicoleo exemplifies how in Mexico even perfectly legal commodities can be at the centre of criminal activity, armed violence and state corruption under certain circumstances. Although López Obrador's security policy has had some success in combating fuel theft – by guarding key pipeline segments and diverting fuel to other modes of transport – the measures taken may not be sustainable over the long term and are not easily transferable to the other rackets involving ordinary goods that are also booming in Mexico, including avocado production and logging. Criminal groups have shown they will expand into any business where they can control different points on the supply chain – and generate easy profits – using force and the threat thereof.

As authorities consider methods for combating rackets that involve licit goods and services, they should bear in mind that methods used to fight drug trafficking – namely, eliminating the supply of illicit goods – would plainly be harmful if applied to these newer markets, decimating legal parts of the economy. Instead, stronger and more effective efforts to confront corruption and impunity will be essential to reining in the increasingly diverse range of criminal pursuits that are affecting ever more regions, sustaining a toll of over 35,000 homicides per year. Mexico badly needs security institutions genuinely committed to serving the public interest.

Furthermore, the state should also develop new and more focused approaches to economic development in the country's most violent areas, in order to create more viable alternatives to illicit activities. It should concentrate its efforts on developing

support plans tailored to these regions. These plans would recognise that security forces should not be used solely to protect pipelines, as these can be tapped elsewhere, and put a higher priority on protecting civilians. The government should also attend to the fundamental drivers of conflict, including by offering programs that can help tackle local socio-economic grievances. Improving security for the numerous disenfranchised people under the thumb of violent criminal outfits will require curbing not only fuel theft but also the deeper pull of crime in Mexico.

II. Criminal Diversification and Violence

Huachicoleo takes three forms. The first and most well-known involves tapping pipelines that transport petrol from refineries to major distribution points, often collaborating with Pemex employees to find out when fuel shipments are released.¹ Secondly, *huachicoleros* (or fuel thieves) may rob refineries or hijack tanker trucks. Thirdly, they may use a drainage system that diverts fuel from pipelines to a secret network of tunnels where they can collect it later. This last method is more laborious than tapping pipelines, but it is also more difficult to detect.²

While fuel theft dates back to 2000 or earlier, its scale has grown significantly over the last decade. According to Pemex data, an average of 271 robberies took place each year between 2004 and 2009; between 2018 and 2020, there were an average of 12,873 per year.³ Pemex estimated that at its height in 2018, fuel theft cost the state \$3 billion.⁴ *Huachicoleo* can also be dangerous. In January 2019, a tapped pipeline exploded in Tlahuelilpan, in Hidalgo state, killing 93.⁵ Guanajuato, a state previously little affected by violent crime, now has one of the highest murder rates in the country, predominantly as a result of fuel theft.⁶

Two factors lie behind the rise of *huachicoleo*. First, the Mexican state's reliance on military force in the "war on drugs", together with its "kingpin" strategy of decapitating the leadership of criminal organisations, had several damaging effects. It caused criminal groups to splinter, whereupon they proliferated, and encouraged them to seek more stable sources of profit – often including licit commodities. Secondly, the removal of fuel subsidies in Mexico, intended to reduce the financial losses of the state-run oil company, Pemex, increased the returns on theft, attracting more criminals to the business and ratcheting up conflict among them. Evidence suggests that fuel theft remains a major source of criminal revenue and a driver of violence in states such as Guanajuato and Puebla.

¹ Alberto Nájjar, "Desde Pemex se organizaba el robo de combustible: cómo funciona la red de 'huachicoleo' que detectó el gobierno de AMLO en México", BBC, 28 December 2018.

² "Túnel de huachicol: hallaron en Nuevo León un corredor de 170 metros equipado con ventiladores y luz", Infobae, 20 November 2020.

³ Alejandra Padilla, "Tomas clandestinas disminuyeron en 11% durante 2019", Serendipia, 25 February 2020.

⁴ Juan Montes and Robbie Whelan, "Mexico staunches flow of stolen fuel", *The Wall Street Journal*, 6 May 2019.

⁵ "Suman 93 los decesos por explosión de ducto en Tlahuelilpan", *Excelsior*, 22 January 2019.

⁶ Alberto Nájjar, "Violencia en México: por qué Guanajuato, el estado más próspero del país, registró más asesinatos en el último año", BBC, 21 January 2020.

A. *Emerging Markets for Criminal Groups*

In 2006, President Felipe Calderón launched a military offensive targeting drug traffickers. This iteration of the “war on drugs” on Mexican soil sought to remove top criminal leaders, seize drugs and deploy military-style policing in the country’s main crime-affected areas. Although the army killed and captured many criminal bosses, this policy also triggered a harmful mutation in Mexican crime by fragmenting cartels and spurring more lethal violence among the splinters.⁷ By focusing its attacks on the single most lucrative criminal pursuit at the time – the drug trade – the government inadvertently pushed criminal groups to look for new activities. Groups turned to less conspicuous commodities, which let them seize control of larger parts of the economy in the patches of the country they control.

The shift to a business model linked to territorial control marks a fundamental change in how Mexico’s criminal groups operate. The former head of Zacatecas state’s security services, Ismael Camberos, said crime rings are no longer seeking drug trafficking routes but chunks of land where they can “do all sorts of illicit activities”.⁸ These outfits have exploited state passivity as well as corruption among officials to impose de facto taxation on both legal and illegal businesses in particular geographic areas. The places where they operate have suffered a heavy socio-economic toll as criminal groups develop various sources of income, boosting their resilience in the face of law enforcement’s disruption of the drug trade and other illicit markets.

Criminal groups are now involved in dozens of activities, ranging from extorting local businesses to human smuggling.⁹ In 2014, the Zetas, the criminal group that pioneered the trend toward deeper territorial penetration, were allegedly involved in at least 25 types of crime.¹⁰ The same year, the Knights Templar, a group operating in Michoacán state, reportedly earned most of its revenue not from the drug trade but from legal businesses, including mining and logging.¹¹ The Zetas, whose original leaders were former special forces soldiers, use “military-style equipment and tactics” to battle for market share.¹² A leading operator for a prominent Michoacán-based illegal armed outfit said the 2021 turf wars in the state centred around “four main attractions: the port [of Lázaro Cárdenas], limes, avocados and mining”, in addition to synthetic drugs.¹³ Criminal groups have also started poaching porpoises (for their swim bladders, a sought-after item for traditional medicine in China and Hong

⁷ Crisis Group Latin America Report N°80, *Mexico’s Everyday War: Guerrero and the Trials of Peace*, 4 May 2020.

⁸ Mary Beth Sheridan, “Violent criminal groups are eroding Mexico’s authority and claiming more territory”, *The Washington Post*, 29 October 2020.

⁹ Bryan Kirk, “Some Mexican cartels have begun human smuggling as drug operations are disrupted”, *Newsweek*, 30 April 2020.

¹⁰ Juan Carlos Pérez Salazar, “Los carteles mexicanos que no dependen del narcotráfico”, *BBC Mundo*, 29 May 2014.

¹¹ *Ibid.*

¹² Eimhin O’Reilly, “Death of king of gasoline marks end of era for Mexican oil thieves”, *InSight Crime*, 16 March 2020.

¹³ Crisis Group interview, Michoacán, 3 November 2021.

Kong) and moving into the tobacco trade.¹⁴ Much of the competition involves extortion and kidnapping, threatening civilians living in contested areas.¹⁵

Fuel theft offered criminal groups a major new revenue stream.¹⁶ “There is less risk” than with the drug trade, said Georgina Trujillo Zentella, chair of the Chamber of Deputies’ energy committee in 2011. “You don’t have to risk crossing the border to look for a market. We all consume gasoline. We don’t all consume drugs”.¹⁷ By 2018, according to a member of the Zetas quoted in a media report, fuel theft was “approximately as profitable as drugs”.¹⁸

B. *Increasing Profits from Fuel Theft*

Huachicoleo became notably more widespread after energy reforms that raised the domestic price of petrol inadvertently increased the profit margins for fuel theft. Until 2010, Mexico’s petrol prices were largely stable due to government price controls. That year, however, the Calderón administration began to raise fuel prices in small monthly increments, prompted by the increased cost of subsidies resulting from soaring global fuel prices during the 2008 financial crisis.¹⁹ At the same time, domestic production declined, meaning Mexico had to import – and heavily subsidise – even more petrol to meet demand.²⁰ Between 2014 and 2017, it cost the state \$6 billion per year to keep Pemex afloat.²¹

President Enrique Peña Nieto’s tenure, from 2012 to 2018, saw further energy reform with the professed goal of making the oil sector more competitive and driving economic growth. Under Peña Nieto’s 2013 plan, multinational companies could enter the Mexican energy sector for the first time.²² While in 2014 the president promised to end *gasolinazos* (fuel price hikes) by setting a maximum price for petrol, in fact liberalisation required removing subsidies – meaning rising prices for consumers.²³

¹⁴ Jane Esberg, “More than Cartels: Counting Mexico’s Crime Rings”, Crisis Group Commentary, 8 May 2020. Laura Calderón et al., “Organized Crime and Violence in Mexico, 2020 Special Report”, Justice in Mexico, July 2020; “Mexico: Organized Crime and Drug Trafficking Organizations”, U.S. Congressional Research Service, 28 July 2020; Katie Linthicum, “La guerra del narco para controlar la multimillonaria industria del aguacate en México”, *Los Angeles Times*, 21 November 2019.

¹⁵ Crisis Group Report, *Mexico’s Everyday War: Guerrero and the Trials of Peace*, op. cit.

¹⁶ Rodrigo Gutiérrez González, “Los capos del ‘huachicol’: los hombres detrás del robo de combustible”, *La Silla Rota*, 10 January 2019; Nathan P. Jones and John P. Sullivan, “Huachicoleros: Criminal Cartels, Fuel Theft and Violence in Mexico”, *Journal of Strategic Security*, vol. 12, no. 4 (2019), pp. 1-24.

¹⁷ Carlos Navarro, “As fuel theft becomes more lucrative, cartels fight for territorial control”, *Source-Mex*, 31 January 2018.

¹⁸ Seth Harp, “Blood and oil: Mexico’s drug cartels and the gasoline industry”, *Rolling Stone*, 6 September 2018.

¹⁹ Michael D. Plante and Amy Jordan, “Getting Prices Right: Addressing Mexico’s History of Fuel Subsidies”, Federal Reserve Bank of Dallas, 2013; “La gasolina sube por 12 ocasión en 2010”, *Expansión*, 11 December 2010.

²⁰ “La gasolina sube por 12 ocasión en 2010”, op. cit.

²¹ Harp, “Blood and oil”, op. cit.

²² *Ibid.*

²³ Carlos Pascual, David G. Victor and Rafael Fernandez de Castro Medina, “Will Mexican energy reform survive political transition?”, Brookings Institution, June 2018; Miriam Grunstein, “The Winter of Our Discontent: The Implications of Mexico’s Hefty Gasoline Price Hikes”, Baker Institute for Public Policy, Rice University, 26 June 2018.

Between 2017 and 2018, the Peña Nieto administration fully deregulated prices. In the first week of January 2017, pump prices rose across the country by as much as 20 per cent.²⁴ Widespread protests over the price hike spurred the government to establish a mechanism to smooth volatility by raising or lowering Mexico's Special Tax on Production and Services (IPES). But retailers are not required to lower prices in response to lower taxes, meaning that in practice the savings often do not reach the consumer.²⁵

In 2018, López Obrador ran for the presidency on promises to pursue "energy sovereignty" and reduce fuel prices by bringing the industry back under state control and reducing imports.²⁶ By this point in 2018, Mexico was importing more than 70 per cent of its refined fuels.²⁷ While López Obrador took credit for bringing down petrol prices in 2020 by reducing the IPES tax levied on consumers, economists pointed out that lower costs were due to steep falls in international prices during the pandemic.²⁸ Pemex's financial problems, meanwhile, have been compounded by measures to fight fuel theft, including – as discussed below – the closure of certain pipelines and increased reliance on trains and trucks for distribution.²⁹ Delays, shortages and increased fuel distribution costs have ensued.³⁰

Against this backdrop, combating fuel theft is an important element of achieving López Obrador's goals. During the period 2010-2020, increased fuel prices coincided with the rise of *huachicoleo*, as the returns on fuel theft increased. Figure 1 shows petrol prices, in both real and nominal terms (left), increasing rapidly after 2010. The number of pipeline robbery incidents (right) increased in parallel.³¹ According to one commentator, "increases [in price] have placed fuels on the radar of organised crime groups".³²

²⁴ "Comunicado de prensa 112-2016", Ministry of Finance and Public Credit, 27 August 2016; Grunstein, "The Winter of Our Discontent", op. cit.

²⁵ "Mexico alters fuel tax deduction as pump prices rise", Argus Media, 14 March 2019.

²⁶ López Obrador announced "energy sovereignty" as a key goal. The plan included increasing reserves, developing new oil fields, reducing costs through new processes and increasing investment in exploration. See "Plan Nacional para la Producción de Hidrocarburos", Government of Mexico, 2018.

²⁷ Samantha Gross, "AMLO reverses positive trends in Mexico's energy industry", Brookings Institution, 20 December 2019.

²⁸ "AMLO presume que su gobierno bajó los precios de la gasolina; analista rechaza versión", *Forbes*, 22 March 2020.

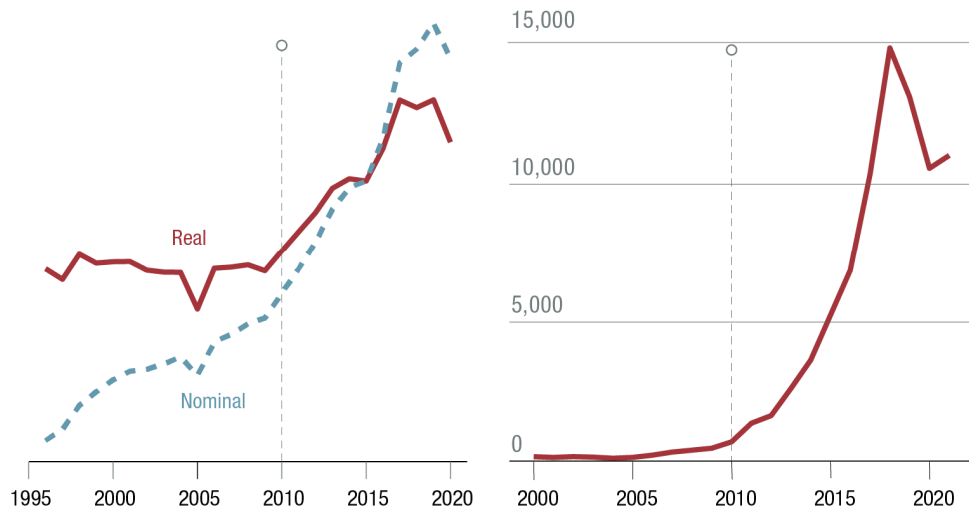
²⁹ Jones and Sullivan, "Huachicoleros: Criminal Cartels, Fuel Theft and Violence in Mexico", op. cit.

³⁰ Jorge Valdivia García, "Opinión: Ante el desabasto de gasolina, ciudadanos salen al quite", *Forbes*, 31 January 2019; David Alire García and Marianna Parraga, "Explainer: Mexico's fuel woes rooted in chronic theft, troubled refineries", Reuters, 20 January 2019.

³¹ Robbery data reflect the number of fuel theft incidents reported. The government does not publicly report the total amount of fuel stolen, which explains why López Obrador can claim a 90 per cent reduction in *huachicoleo* even though the number of fuel theft incidents shows a more modest decline. See Fluvio César Martínez, "En Veracruz, AMLO dice que huachicoleo bajó 90%", *La Silla Rota*, 6 June 2020.

³² Octavio Angulo Soto, "A Qué Se Debe El Incremento del Robo de Combustible en México", *EXLEGE*, vol. 2, no. 3 (2019), pp. 19-30. See also Alire García and Parraga, "Explainer: Mexico's fuel woes rooted in chronic theft, troubled refineries", op. cit. According to this second article, "theft escalated in recent years following reforms to the country's oil sector by previous President Enrique Peña Nieto. ... Retail prices rose, giving cartels an opportunity to undercut those prices through black-market sales of gasoline".

Figure 1: Fuel prices in Mexico (left) and pipeline robbery incidents (right)



Description: By price type (left) and by number of fuel theft incidents (right).

Source: For petrol prices, System of Energy Information, via Atracción 360. For pipeline robbery incidents, Pemex.

C. From Robin Hoods to Zetas

In the early years of *huachicoleo* at the start of the century, small groups and individuals dominated the racket. Because they distributed low-cost fuel, they enjoyed a degree of popularity, with some viewing them as Robin Hood figures. *Huachicoleros* in the Red Triangle (a region of central Mexico at the intersection of many pipelines) adopted their own ostensible saint, El Santo Niño Huachicolero, often shown as a baby Jesus holding a fuel can and a hose.³³ To create good-will in important areas, some fuel thieves distributed free petrol and appliances, mirroring other criminal groups' strategies for gaining public support.³⁴ At first, violence was rare.³⁵ But it became much more common after 2010, when the practice started becoming more profitable, and the Zetas and the Gulf Cartel entered the business.

Crisis Group data suggest that the number of Mexican criminal groups engaged in *huachicoleo* has grown since 2010.³⁶ Figure 2 shows the average number of groups present in municipalities with and without pipelines.³⁷ Though the data stretch back only to 2009 – meaning they do not show the longer-term history of criminal organisations in these regions – they reveal that areas with pipelines tend to have more armed groups than those without (an average of 0.4 armed groups in areas without

³³ “Auge y caída del ‘Rey de la Gasolina’, el último líder ‘huachicolero’ de la vieja escuela”, Infobae, 17 March 2020; and Frida Muriel Mendoza Arrubarrena, “Santo Niño Huachicolero”, el dios de los huachicoleros y su cultura”, *La Silla Rota*, 14 January 2019.

³⁴ Harp, “Blood and oil”, op. cit.

³⁵ Ibid.

³⁶ Esberg, “More than Cartels: Counting Mexico’s Crime Rings”, op. cit. Data used here include only criminal groups, excluding self-defence organisations and groups with revolutionary aims.

³⁷ This analysis relies on information from the Mexican government on *oleoductos* (gas ducts), a pipeline system used to transport natural gas and petrol. See also “Ductos, ¿por dónde circulan los hidrocarburos en México?”, *Carto Crítica*, 25 July 2017.

pipelines, compared to 0.9 in areas with pipelines).³⁸ A statistical analysis also shows that, all else being equal, a 10 peso increase in the price of petrol (equivalent to a \$0.50 rise) was associated with the presence of approximately one additional criminal group in municipalities with pipelines relative to those without.³⁹ In other words, areas with pipelines have tended to see criminal groups increasing their presence as the price of petrol has risen.

The data also show that the number of criminal groups in municipalities with pipelines climbed sharply after 2017, when the removal of subsidies sent fuel prices soaring.⁴⁰ That year, the Jalisco Cartel New Generation expanded its *huachicoleo* operations and cemented its control over certain pipeline areas largely in Puebla and Veracruz. In doing so, it murdered dozens of Zeta-affiliated *huachicoleros*, often brutally disfiguring the bodies or dumping them in town squares.⁴¹ The Cartel Santa Rosa de Lima, dedicated primarily to fuel theft, ramped up its conflict with the Jalisco Cartel New Generation in Guanajuato that same year.

Today, the original Zetas and Gulf Cartel organisations have disintegrated, but splinters including New Zetas Blood and the Shadow Group are still active in *huachicoleo* in Veracruz.⁴² Further crowding the landscape are smaller *huachicolero* bands, which sometimes align with major criminal organisations and occasionally grow powerful enough to run afoul of other groups, opening up new axes of violent conflict.⁴³

³⁸ Data from 2009 does not cover the whole year, meaning that group figures may be underestimates. Statistical models used in Jane Esberg, "Licit Commodities and Criminal Violence in Mexico", working paper, 2021, correct for this problem, however.

³⁹ These estimates are based on a statistical model focused on the relationship between the change in the number of groups and the price of petrol in areas with and without gas pipelines (confidence interval between .4 and 1.8 additional groups). Models account for a set of socio-economic and demographic characteristics. The relationship is described in greater detail in Esberg, "Licit Commodities and Criminal Violence in Mexico", op. cit., along with additional models.

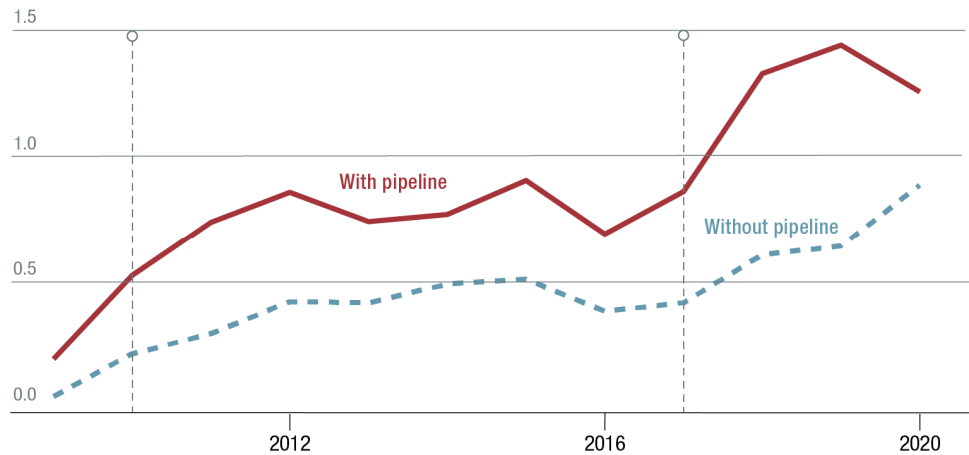
⁴⁰ "Comunicado de prensa 112-2016"; and Grunstein, "The Winter of Our Discontent", both op. cit.

⁴¹ Jones and Sullivan, "Huachicoleros: Criminal Cartels, Fuel Theft and Violence in Mexico", op. cit.

⁴² "Los Zetas y CJNG se disputan el control del huachicol en estados del centro, incluido Puebla", *Periódico Central*, 20 January 2020; Rodrigo Gutiérrez González, "¿Quiénes son los 'Sangre Nueva Zeta'?", *La Silla Rota*, 19 February 2021; and Edmundo Velázquez, "Grupo Sombra y bandas locales operan el huachicol en Puebla: Pemex", *Periódico Central*, 16 July 2020.

⁴³ "El Kalimba, el criminal que azotaba mujeres y que terminó descuartizado", *La Opinión*, 6 December 2020.

Figure 2: Average number of criminal groups in municipalities with and without fuel pipelines



Source: Crisis Group data on criminal groups. Data on pipelines from the Energy Secretariat of Mexico.

D. Violence and Fuel Theft

As petrol prices rose, and fuel theft alongside them, so did homicide rates. For example, Guanajuato, a state in the Red Triangle with a particularly high concentration of intersecting pipelines, averaged fewer than 300 murders per year between 2005 and 2009. This toll more than doubled between 2010 and 2015, then doubled again – to an annual average of 2,794 homicides – in the next five years. In 2020 alone, there were 4,967 murders.⁴⁴ Criminal groups now regularly threaten, torture and kill rivals to gain territory.⁴⁵

Many organisations also run other rackets in regions with pipelines. For example, the Cartel Santa Rosa de Lima is involved in extortion and kidnapping, and areas where it operates have seen an increase in disappearances.⁴⁶ In 2019, the group left a message for President López Obrador demanding the removal of troops from Guanajuato. The message read: “If you don’t, I’m going to start killing innocent people so that you see that this is not a game”. A pick-up truck filled with explosives was later found outside the nearby Salamanca refinery.⁴⁷

Figure 3 demonstrates the rise of homicides in municipalities with fuel pipelines, relative to those without. Violence across the country increased in areas with a criminal presence following the government’s militarised anti-organised crime campaign from 2006. But in 2010 – the year the government began phasing out fuel subsidies – areas with pipelines overtook those without in their average per capita homicides.

⁴⁴ Based on homicide statistics from the National Institute of Statistics and Geography (INEGI).

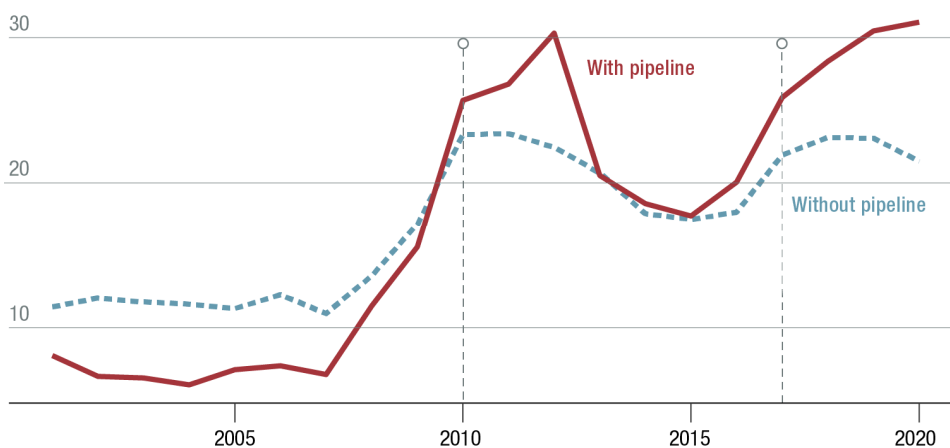
⁴⁵ See, for example, “Cartel de Santa Rosa de Lima de ‘El Marro’ decapita a miembro del CJNG”, *México Código Rojo*, 7 December 2018; and Robert J. Bunker and John P. Sullivan, “Mexican Cartel Tactical Note #41: Cártel Santa Rosa de Lima (CSRL) Logo and Symbols Identification”, *Small Wars Journal*, 3 April 2019.

⁴⁶ “Guanajuato: aumenta el número de desaparecidos en zona de influencia del Cártel de Santa Rosa de Lima”, *Infobae*, 27 November 2020; and “Fuel theft, extortion, and kidnapping: ‘El Marro’ wreaked havoc in Guanajuato for years”, *Yucatan Times*, 5 August 2020.

⁴⁷ “‘No eres bienvenido’: la inquietante narcomanía que apareció en Celaya contra el presidente López Obrador”, *Infobae*, 5 May 2020.

This pattern of rising violence came as groups like the Zetas entered the business. Areas with pipelines saw another jump in 2017, the year fuel prices were further liberalised. A statistical analysis accounting for municipality characteristics estimates that, after 2010, areas with pipelines experienced approximately six additional homicides per 100,000 people, per year. On average, a 10 peso increase in the price of petrol (equivalent to a \$0.50 hike) was associated with approximately 1.1 additional homicides per 100,000 people in municipalities with pipelines, relative to those without.⁴⁸ In effect, as fuel prices rose across the country, areas with pipelines experienced a surge in violence as more criminal competitors fought for control over the racket.

Figure 3: Average homicides per 100,000 in municipalities with and without pipelines, 2001-2020



Source: Data on homicides from INEGI. Data on pipelines from the Energy Secretariat of Mexico.

E. López Obrador's Security Priorities

Less than a month after taking office in December 2018, López Obrador unveiled his Plan Against the Theft of Hydrocarbons, calling *huachicoleo* “a robbery of the nation’s assets, public resources, the money of all Mexicans”.⁴⁹ The president’s motives in fighting *huachicoleo* were twofold. First, he wanted to showcase his administration’s capacity to rein in corruption and curb insecurity. Secondly, he needed to reinforce the state’s control over the oil and gas sector, as a critical part of his effort to attain energy self-sufficiency for Mexico.⁵⁰

⁴⁸ Estimates are based on two statistical models. The first looks at the relationship between the change in per capita homicides after 2010 and the removal of subsidies in areas with and without gas pipelines (confidence interval of between about 1.8 and 10.5 homicides per 100,000). The second looks at the relationship between changing gas prices and homicides in areas with and without pipelines (confidence interval of between .4 and 1.8 homicides per capita). Prices are in inflation-adjusted pesos (2016). Models account for a set of socio-economic and demographic characteristics. For greater detail, along with additional models, see Esberg, “Licit Commodities and Criminal Violence in Mexico”, op. cit.

⁴⁹ “Anuncia Presidente Plan contra Robo de Hidrocarburos”, personal website of Andrés Manuel López Obrador, 27 December 2018.

⁵⁰ “Programa Sectorial Derivado del Plan Nacional de Desarrollo 2019-2024”, Energy Secretariat of Mexico, 7 August 2020.

Over the following two years, the president took a number of steps to reduce fuel theft, though critics question their long-term effectiveness. He temporarily cut production at certain refineries, closed down six theft-prone pipelines, and moved distribution to tanker trucks and trains. Since pipelines are considerably more efficient than alternative methods of transport, the latter two measures briefly caused fuel shortages throughout the country.⁵¹ He also increased the maximum penalty for fuel theft (from 20 to 30 years) and took away the licenses of stations found to sell stolen petrol.⁵² Nonetheless, the judicial system's failure to prosecute culprits continues to hinder law enforcement's work.⁵³

The president also dispatched the military to guard certain pipeline sections, though the areas designated for protection are too vast to shield entirely. Of more than 54,000km of pipeline in the country, the government has labelled 13,000km as "problematic" and 6,000km as "critical".⁵⁴ Fuel thieves have reacted to state pressure by moving into new areas, in what the former Pemex director, Carlos Treviño, has described as the "cockroach effect" – ie, scattering when the light is turned on.⁵⁵ Another line of defence involved pouring cement over taps, but *huachicoleros* have managed to drill through concrete to get at pipelines before.⁵⁶

Despite unresolved difficulties, López Obrador has declared an early victory against fuel theft. Less than four months after beginning the campaign, he claimed: "We have managed to practically end the theft of fuel".⁵⁷ Pemex has indeed reported a quite significant drop in the volume lost from the height of fuel theft in 2018 to 2020, from 56,000 to 4,400 barrels per day.⁵⁸ Though some critics have questioned this data, arguing that the effects of reduced theft should be more visible in Pemex sales, these figures support the president's reports of a 90 to 95 per cent decrease in stolen fuel volumes since his tenure began.⁵⁹

Despite these successes, there are grounds for caution. Pipelines remain the most effective method of transporting fuel across the country, so switching to trucks and trains for delivery is unlikely to offer a long-term solution. Statistics on the number of robberies, rather than the amount of fuel lost, show a more modest decline, dropping from a high of 14,910 in 2018 to 10,571 in 2020; 2021 saw an uptick in thefts to

⁵¹ Alire Garcia and Parraga, "Explainer: Mexico's fuel woes rooted in chronic theft, troubled refineries", op. cit.

⁵² Jenaro Villamil, "Senadores aprueban reformas para aumentar penas por huachicoleo", *El Proceso*, 5 April 2018.

⁵³ Victor Manuel Sánchez Valdés, "¿Cómo se puede reducir el robo de hidrocarburos?", *Animal Político*, 18 December 2015.

⁵⁴ "5 mil militares vigilan 6 mil kilómetros de ductos 'críticos' de Pemex", *La Jornada*, 15 January 2019.

⁵⁵ Jones and Sullivan, "Huachicoleros: Criminal Cartels, Fuel Theft, and Violence in Mexico", op. cit.

⁵⁶ "López Obrador cantó victoria contra el robo de combustible: 'Si se pudo con el huachicol, podemos con todo'", *Infobae*, 23 April 2019; Harp, "Blood and oil", op. cit.

⁵⁷ Kirk Semple, "México declara victoria sobre el huachicoleo, pero ¿cuánto durará?", *The New York Times*, 6 May 2019.

⁵⁸ Jessika Becerra Ortiz, "'Huachicoleo' baja de 56,000 barriles por día en 2018 a 4,440 en 2020, dice Pemex", *El Financiero*, 21 December 2020.

⁵⁹ Samuel León Sáez, "El 'otro dato' del huachicol (parte 1)", *Nexos*, 30 December 2019; Carlos Loret de Mola, "La prueba con datos oficiales de que el huachicol no bajó (II)", *El Universal*, 29 May 2019.

11,037, the third highest year on record after 2018 and 2019.⁶⁰ Despite reductions in fuel lost between 2020 and 2021, rising prices mean that economic losses from *huachicoleo* still climbed relative to the year before.⁶¹ Curbing fuel theft has also done little to reduce the high levels of violence around pipelines: Guanajuato remained the most violent state in Mexico in 2021.⁶² Recent spikes in fuel prices, the result of sanctions targeting Russian oil and gas in the wake of the invasion of Ukraine, will in all likelihood make fuel theft increasingly profitable for criminal groups and more damaging to state coffers.

III. Corruption

While armed groups' pursuit of *huachicoleo* has intensified violent competition between them, the racket has depended in large part on corruption within Pemex and the security forces. Impunity for these "white-collar" *huachicoleros* is likely to be an impediment to curbing fuel theft in a durable way.

A. Criminal Collusion

Numerous sources report that Pemex employees help the *huachicoleros* steal fuel. López Obrador himself has said: "Most [*huachicoleo*] involves a plan operated with the complicity of authorities and a distribution network".⁶³ For example, it is alleged that Pemex employees report to criminal contacts the exact time at which fuel will run through the pipelines.⁶⁴ Employees also provide equipment and expertise related to tapping pipelines, according to a police commissioner interviewed in the newspaper *El Universal*.⁶⁵ Pemex fired at least 40 workers in 2018 for alleged links to fuel theft, and 135 current and former Pemex employees were arrested in connection with the racket between 2006 and 2015.⁶⁶ A former mayor of an affected region has reported: "It's said that Pemex engineers get between 200,000 and 250,000 pesos [\$9,500-\$12,000] for each theft with an illegal tap".⁶⁷ Mexican journalist Ana Lilia Pérez claims

⁶⁰ Nany Flores, "A Pemex le robaron 1.4 millones de barriles de combustibles en 2021", *Contralínea*, 2 January 2022.

⁶¹ Diana Gante, "Debilitan precios plan antihuachicol", *Mural*, 21 October 2021.

⁶² "Guanajuato, tres años consecutivos encabezando el ranking nacional de homicidios", *Infobae*, 15 December 2021.

⁶³ Matthew Bremner, "A gas heist gone wrong, an explosion and 137 deaths in Mexico", *Bloomberg*, 26 June 2019; Alberto Nájjar, "'Desde Pemex se organizaba el robo de combustible': cómo funciona la red de 'huachicoleo' que detectó el gobierno de AMLO en México", *BBC Mundo*, 28 December 2018.

⁶⁴ "'Huachicoleros' de 'cuello blanco'", *Milenio*, 24 May 2017; Astrid Sánchez and Dennis A. García, "Dossier Seguridad: Robo de hidrocarburos, desde Pemex", *El Universal*, 9 January 2017; "Pemex ha despedido a 100 empleados sospechosos por robo de combustible", *Animal Político*, 10 April 2018; and Victoria Dittmar, "Layers of Corruption Facilitate Fuel Theft in Mexico", *InSight Crime*, 26 May 2017.

⁶⁵ Sánchez and García, "Dossier Seguridad: Robo de hidrocarburos, desde Pemex", *op. cit.*

⁶⁶ Enrique Hernández, "Despiden a 40 empleados de Pemex involucrados en huachicoleo", *El Sol de México*, 14 January 2019; Sánchez and García, "Dossier Seguridad: Robo de hidrocarburos, desde Pemex", *op. cit.*

⁶⁷ Crisis Group interview, former mayor of a region affected by *huachicoleo*, December 2021.

that 80 per cent of *huachicoleo* begins with Pemex.⁶⁸ López Obrador seemed to concur: “There is a hypothesis that only 20 per cent of all theft occurs by directly tapping pipelines, which serves as a sort of smokescreen. ... There are *huachicoleros* from below and *huachicoleros* from above”.⁶⁹

These corruption networks reportedly extend beyond Pemex. One *huachicolero* told the newspaper *Milenio* that corruption “runs from MPs to municipal authorities to state secretaries to whatever you can imagine. The police, municipal and state, are the ones you align with or you die”.⁷⁰ Investigations by judicial authorities and journalists have levelled accusations of complicity in the theft and sale of stolen fuel at union leaders, mayors, Puebla state’s ex-public security secretary and various police officers.⁷¹ A former mayor reported that a gas station owned by a former local politician sold stolen fuel: “These people have contacts and good presence within the government”.⁷²

The military itself is reportedly colluding with fuel thieves. Complicit officers reportedly coerce others into turning a blind eye or accepting kickbacks through violence or threats.⁷³ One white-collar operator working with the Jalisco Cartel New Generation stated that he had continued to profit from *huachicoleo* during López Obrador’s tenure thanks to “conversations [and] personal relationships” with federal security forces, including military officers seconded to Pemex. The only real threat to his business, he said, had been the global oil price drop during the COVID-19 pandemic, which temporarily eliminated illegal fuel retail’s competitive advantage over legal retail, rendering it unprofitable.⁷⁴ One high-ranking officer who has commanded anti-*huachicoleo* operations said: “The sad reality is that within the armed forces there have been those looking to enrich themselves”.⁷⁵

B. Judicial Impunity

In general, judicial impunity stands out as one of the main impediments to reining in criminal violence in Mexico.⁷⁶ Reports suggest that 94.8 per cent of crimes in the country go unpunished.⁷⁷ The impunity rate for homicides is 89.6 per cent.⁷⁸ These

⁶⁸ Ana Lilia Pérez, *El cártel negro: Cómo el crimen organizado se ha apoderado de Pemex* (Mexico City, 2019); Jones and Sullivan, “Huachicoleros: Criminal Cartels, Fuel Theft and Violence in Mexico”, op. cit.

⁶⁹ “AMLO presenta plan contra huachicol en Pemex: había red de corrupción y complicidad del Gobierno, afirma”, *Noroeste*, 28 December 2018.

⁷⁰ “Huachicoleros’ de ‘cuello blanco’”, op. cit.

⁷¹ Dittmar, “Layers of corruption facilitate fuel theft in Mexico”, op. cit.; and Dennis A. García, “Autoridades ligan a 4 ediles en red de chupaductos”, *El Universal*, 25 May 2017. The former public security secretary has vehemently denied these claims: “In the midst of this misinformation, the governor of Puebla himself issued a series of qualifications, defamations and expletives calling me a criminal”. See Patricia Méndez, “Facundo Rosas se dice inocente de huachicol y acusa de difamación al gobierno de Puebla”, *La Jornada de Oriente*, 19 February 2021.

⁷² Crisis Group interview, former mayor of a region affected by *huachicoleo*, December 2021.

⁷³ Crisis Group telephone interview, December 2021.

⁷⁴ Crisis Group telephone interview, October 2020.

⁷⁵ Crisis Group telephone interview, December 2021.

⁷⁶ “Matar en México: Impunidad garantizada”, *Animal Político*, 19 June 2018.

⁷⁷ “Hallazgos 2020: Seguimiento y evaluación del sistema de justicia penal en México”, México Evalúa, 2021.

rates are partly the result of limited state capacity, as Mexico faces a sky-high murder rate with already overcrowded prisons and few judges.⁷⁹ But they are also rooted in criminal groups' control over certain public institutions – including through the intimidation of witnesses and victims – and collusion with the state.⁸⁰

As in other areas of crime, impunity obstructs efforts to thwart fuel theft. With approximately 90 per cent of cases going unpunished, impunity for *huachicoleo* roughly aligns with that for other crimes.⁸¹ López Obrador has blamed “soft” laws for the fact that relatively few *huachicoleros* are in prison and, as mentioned above, toughened prison sentences for the crime.⁸² Some Pemex officials, however, have reportedly complained that prosecutors lack the technical expertise to investigate fuel theft.⁸³

Moreover, those fuel theft cases that are pursued tend to target low-level offenders, who tend to lack the protection available to more senior figures. A significant majority of investigations centre on the theft, storage or transport of fuel, which involve mainly rank-and-file operatives or even people roped into *huachicoleo* against their will.⁸⁴ Attorney General Alejandro Gertz Manero's announced focus is on combating crime *in flagrante delicto* – ie, investigations focus on culprits directly involved in the theft of fuel.⁸⁵ This approach, however, risks neglecting the higher-level criminals who are largely responsible for the violence associated with *huachicoleo*, as well as the Pemex officials who enable it.

IV. Tackling the Fuel Racket and Criminal Diversification

López Obrador's responses to fuel theft have so far focused on undermining *huachicoleros*' ability to operate. While it appears to have met with some short-term success, this approach is unlikely to be sustainable over the long term due to the extent of *huachicoleo* and the number of groups involved in it, as well as the costs and inefficiency of the solutions that the government has devised. The rise in fuel prices resulting from sanctions on Russia for its invasion of Ukraine will boost the profitability of petrol theft, and thus the pressure on law enforcement. With pipelines remaining the most cost-effective method of transporting fuel, shifting to alternate methods of transit will enlarge Pemex's drain on the federal budget. Similarly, reducing production at theft-prone refineries will reinforce the need to import petrol. Military protection, too, is a stopgap rather than a long-term solution. The military does not have the ca-

⁷⁸ “Impunidad en homicidio doloso y feminicidio: Reporte 2020”, Impunidad Cero, November 2020.

⁷⁹ “Mexico Peace Index 2020”, Institute for Economics and Peace, 2020.

⁸⁰ Alejandro Anaya Muñoz, James Cavallaro and Patricia Cruz Marín, “La impunidad active en México. Cómo entender y enfrentar las violaciones masivas a los derechos humanos”, ITESO, Universidad Jesuita de Guadalajara and University Network for Human Rights, 2021.

⁸¹ Oscar Reyes, “Impunidad de 90% por huachicoleo en el país”, *El Sol de México*, 15 August 2018.

⁸² Villamil, “Senadores aprueban reformas para aumentar penas por huachicoleo”, op. cit.; Rodrigo Elizarrarás, “Seis propuestas contra el huachicoleo”, *Animal Político*, 2 June 2017.

⁸³ Elizarrarás, “Seis propuestas contra el huachicoleo”, op. cit.

⁸⁴ María Novoa, “Huachicol y el desabasto de justiciar”, *Animal Político*, 9 January 2019.

⁸⁵ Irene Tello Arista, “¿Cero impunidad en huachicoleo?”, *El Universal*, 11 January 2019; Jorge Monroy, “Segob y PGR aseguran que hay detenidos y cuentas congeladas por robo de combustible”, *El Economista*, 10 January 2019.

capacity to shield tens of thousands of kilometres of pipeline effectively, meaning that fuel thieves can just move to new areas to avoid guards.⁸⁶

A. *Strategic Failings*

Insiders note that governments – past and present – have failed to formulate a long-term strategy for fighting *huachicoleo* and other forms of organised crime. “What has happened to us time and again is that, once we achieve control of a certain area and crime has gone down, we have to drop everything to go after the next fire like fire-fighters ... allowing the previous one to flame back up. These are decisions by politicians looking to protect their media image”, one commander observed.⁸⁷

More fundamentally, the rise of fuel theft epitomises a broader issue: with illicit business flourishing, groups will continually move to new regions in pursuit of profit. Military action might weaken individual criminal outfits, but Mexican organised crime has shown an overall adaptability suggesting that by themselves, armed enforcement actions are unlikely to be an effective, enduring remedy for the country’s persistently high levels of violence. A former mayor reported that after fuel theft was curbed in his municipality, the men previously engaged in the practice “were left without work and moved more toward the sale of drugs, assaults on houses, people, students. They were used to having easy money and, when that income ended, they moved to another way of getting that money”.⁸⁸ These switches in activity are likely to recur unless the state addresses the conditions giving rise to criminal expansion and competition.

The traditional methods of the “war on drugs” are ill-suited to stopping fuel theft or criminal involvement in licit economies more generally. Drugs can be seized and smuggling routes can be cut off – even if stamping out the trade has so far proven impossible. But policies of interdiction cannot be applied to legal commodities. Mexico will continue to need fuel pipelines: “There is no nuclear option”, as academic Daniel Lansberg-Rodriguez said, for fighting *huachicoleo*.⁸⁹

B. *Alternative Approaches*

While the economic costs of fuel theft are great, the most important step the government should take in the short term is to ensure that it is also devoting sufficient resources to protect civilians caught in the crossfire of criminal conflict over *huachicoleo* and related activities. As mentioned above, groups operating in areas with pipelines rarely limit their activities to fuel theft. The Cartel Santa Rosa de Lima, for

⁸⁶ Jones and Sullivan, “Huachicoleros: Criminal Cartels, Fuel Theft and Violence in Mexico”, op. cit.

⁸⁷ Crisis Group telephone interview, December 2021.

⁸⁸ Crisis Group interview, former mayor of a region affected by *huachicoleo*, December 2021. The efforts of criminal groups to control avocado production in Michoacán and competition over illegal logging in Chihuahua are two other notable examples of the shift toward licit or semi-licit businesses. Falko Ernst, “America’s appetite for avocados is helping fuel the Mexican cartels, but giving up guacamole isn’t the solution”, *Business Insider*, 23 February 2020; Deborah Bonello, “How drug cartels moved into illegal logging in Mexico”, *InSight Crime*, 18 September 2020.

⁸⁹ Harp, “Blood and oil”, op. cit.

instance, also practices extortion and kidnapping, and areas where it operates have seen an increase in disappearances.⁹⁰

Rather than devoting military resources solely to guarding pipelines that can always be tapped elsewhere, the federal government should make the protection of civilians a priority in deployments to the country's most conflict-ridden regions, such as the Red Triangle in Guanajuato and adjacent states. Force should be used as a short-term measure to protect vulnerable people, such as by deploying federal forces to prevent the displacement of civilians triggered by armed groups' territorial advances.⁹¹ But doing so will require addressing collusion and corruption in federal security forces, above all through independent, external oversight to end these institutions' opacity and lack of accountability.⁹²

In the medium to long term, the economic costs and criminal appeal of fuel theft could be mitigated to at least some extent through energy sector diversification, including increased investment in renewables. López Obrador has pursued energy independence largely through embracing oil, gas and coal.⁹³ He cancelled auctions that could have invited international investment in renewables in Mexico, despite the success of previous rounds.⁹⁴ Diversifying the energy sector away from fuel, which is particularly easy to steal, could help reduce *huachicoleo*'s financial burden on the Mexican state.

As another initiative that could bear fruit over the medium term, the federal government should also provide the resources necessary for investigators to prosecute cases of fuel theft-related criminal conflict and corruption within Pemex. Impunity is a pressing issue across Mexico, yet López Obrador has overseen cuts to the federal prosecutor's budget.⁹⁵ Moreover, most of the *huachicoleo* cases currently being tried are related directly to theft and distribution. The state should focus more attention on prosecuting those responsible for homicides and other violent crimes linked to fuel theft, as well as those involved on the racket's "white collar" side – within Pemex and the security forces – so as to deter collusion with criminal groups.⁹⁶

⁹⁰ "Guanajuato: aumenta el número de desaparecidos en zona de influencia del Cártel de Santa Rosa de Lima", op. cit.; and "Fuel theft, extortion, and kidnapping: 'El Marro' wreaked havoc in Guanajuato for years", op. cit.

⁹¹ Crisis Group, among others, has stressed the need for such deployments in order to prevent further displacements in areas of Guerrero state. See Crisis Group Report, *Mexico's Everyday War: Guerrero and the Trials of Peace*, op. cit.

⁹² Crisis Group Latin America Reports N°s 69, *Building Peace in Mexico: Dilemmas Facing the López Obrador Government*, 11 October 2018; and 89, *Electoral Violence and Illicit Influence in Mexico's Hot Land*, 2 June 2021.

⁹³ David Agren, "Mexico was once a climate leader – now it's betting big on coal", *The Guardian*, 15 February 2021; "AMLO apuesta por energías fósiles", *Deutsche Welle*, 10 February 2021.

⁹⁴ Gross, "AMLO reverses positive trends in Mexico's energy industry", op. cit.

⁹⁵ Elizarrarás, "Seis propuestas contra el huachicoleo", op. cit.; Sánchez and García, "Dossier Seguridad: Robo de hidrocarburos, desde Pemex", op. cit.; Andrea Sánchez Mercado, "El rumbo de la Fiscalía General está escrito en el Presupuesto", *México Evalúa*, 30 December 2019; Mariana León, "Gobierno de AMLO reduce el presupuesto a los órganos autónomos en 4,182 mdp", *Expansión*, 22 November 2019.

⁹⁶ Tello Arista, "¿Cero impunidad en huachicoleo?", op. cit.; Monroy, "Segob y PGR aseguran que hay detenidos y cuentas congeladas por robo de combustible", op. cit.

As for the long term, both making a lasting reduction in *huachicoleo* and preventing criminal diversification will hinge upon making progress in curbing official corruption. The federal government has estimated that up to 80 per cent of fuel theft originates within Pemex.⁹⁷ One Mexican-American businessman described tapping pipelines as “kid stuff”, saying Pemex employees are responsible for much of the stolen fuel.⁹⁸

President López Obrador has promised to tackle corruption head on and target the highest powers involved in the practice. The most visible arrest so far has been that of Emilio Lozoya, former head of Pemex, for corruption and graft. Lozoya has denied the allegations and since alleged that the Peña Nieto government ran a “criminal association, aimed at enriching themselves”.⁹⁹ But the case has moved slowly. Meanwhile, General Eduardo León Trauwitz, the former head of security for Pemex, has been on the run since a judge ordered his arrest on charges related to fuel theft in 2019.¹⁰⁰ More robust efforts to root out corruption from Pemex and other state sectors will need to go further than the individual prosecution of former presidential appointees. Impartial oversight of state firms and institutions will require the establishment of external monitoring bodies featuring civil society and expert participation.¹⁰¹ Meanwhile, dedicated prosecution and law enforcement units, drawing where possible on international expertise, will be needed to uproot high-level rogue officials operating within state institutions in connivance with criminal groups.

C. Regional Action Plans

Addressing the causes of fuel theft – and criminal diversification as an engine of lethal conflict in Mexico in general – will also require socio-economic programs aimed at local needs. Following a major pipeline explosion in 2019, López Obrador announced social programs that he believed would reduce fuel theft.¹⁰² Data from the social welfare ministry, however, shows no expansion in social programs in key violence-affected states like Guanajuato and Puebla.¹⁰³ Past state interventions in crime-ridden areas have demonstrated that law enforcement's effectiveness wanes when it seeks to suppress the manifestations of criminal activity, such as spectacular outbreaks of violence or the ascent of particular criminal groups, without follow-up measures that go after the underlying economic and social ills. Armed violence has often bounced back more intensively after the state has declared its missions prematurely accomplished.¹⁰⁴

⁹⁷ Misael Zavala, “Detecta AMLO red de robo de combustible dentro de Pemex; detienen a tres”, *El Universal*, 27 December 2018.

⁹⁸ Harp, “Blood and oil”, op. cit.; and Ana Lilia Pérez, “Huachicoleo: Dentro de Pemex, toda una ‘industria paralela’”, *Proceso*, 29 December 2018.

⁹⁹ Patrick McDonnell, “Under arrest for corruption, Mexico's former oil boss takes aim at three ex-presidents”, *Los Angeles Times*, 20 August 2020.

¹⁰⁰ Ibid.; Gustavo Castillo García, “Siguen las negociaciones con Canadá para detener al general León Trauwitz”, *La Jornada*, 31 January 2021.

¹⁰¹ Crisis Group Report, *Building Peace in Mexico: Dilemmas Facing the López Obrador Government*, op. cit.

¹⁰² “Con programas sociales se ayudará a frenar el ‘huachicol’ y se evitarán desgracias: AMLO (#Entérate)”, *Aristegui Noticias*, 22 January 2019.

¹⁰³ See “Padrón Único de Beneficiarios de Bienestar”, Mexican Federal Government, 2020.

¹⁰⁴ A prime example is the Peña Nieto government's intervention in Michoacán in 2014, prompted by domestic and international pressure following reports of wide-scale abuse of local people by the

A more effective way forward would be to complement enforcement actions with fostering community support. To identify the kinds of support that would be most effective, the federal government should craft regional support plans tailored to the causes and fault lines of conflict in priority areas. These plans would differ from national strategies by providing more precise understanding of each priority region's conflict and concentrating resources accordingly. They should draw on analysis of each region's markets and commodity chains generating criminal income and violent competition; key perpetrators of violence, both state and non-state, and the ties among them; institutional shortcomings and vulnerabilities; and links between criminal groups and communities, including the former's approaches to recruitment and public legitimation.

Crucially, regional interventions would have to address these elements in a far more systematic fashion than attempted hitherto.¹⁰⁵ These plans should seek to promote legal alternatives to illicit livelihoods; protect civilians through dedicated police or, where necessary as a short-term remedy, federal force deployments; support local security and justice institutions; and take steps to rid them of corruption. Where possible it should introduce incentives for young members of criminal groups to reintegrate into law-abiding society. Making a lasting reduction in *huachicoleo*, according to one former mayor, requires "generating sources of employment".¹⁰⁶ In areas suffering high levels of fuel theft, regional plans would therefore be designed to address as a priority the socio-economic conditions underlying *huachicoleo*, while also helping people resist participation – forced or voluntary – in the tapping of pipelines.

V. Conclusion

Huachicoleo shows how the quest for illicit revenues amid general impunity can lead criminal groups into new markets and territories. The unanticipated effects of energy reform in Mexico – designed primarily to make Pemex solvent and buoy the economy – created incentives for groups to break into the fuel theft racket, creating more competition and increased violence. This shift occurred as the state mounted a massive assault on criminal organisations' traditional source of revenue, the drug trade, which may have pushed certain outfits to look elsewhere for easy money. Criminal groups are now raking in profits from the sale of commodities other than drugs, many of them licit in origin.

López Obrador's law enforcement campaign has managed to halt the alarming rise in fuel theft, though soaring oil prices threaten to reverse this progress. Yet even if the racket is curbed, persistent official corruption and collusion will keep letting

Knights Templar. Top leaders of the group were killed or captured, and victory was declared. Yet levels of conflict rose in the aftermath. For an overview, see Crisis Group Report, *Building Peace in Mexico: Dilemmas Facing the López Obrador Government*, op. cit. See also "Violence erupts as Mexico's deadly gangs aim to cement power in largest ever elections", *The Guardian*, 20 April 2021.

¹⁰⁵ The state will have to address corruption and collusion within its ranks if it wants to reduce criminal groups' sway over the public. Simultaneously, demobilisation efforts will be vital to loosen criminal outfits' grip on young people and deter them from turning toward new revenue streams. See Crisis Group Report, *Mexico's Everyday War: Guerrero and the Trials of Peace*, op. cit.

¹⁰⁶ Crisis Group interview, former mayor of a region affected by *huachicoleo*, December 2021.

criminal groups turn to alternative revenue sources, making an approach that addresses the sources of violence in a lasting fashion all the more important. Reducing the use of pipelines is costly and, given how much *huachicoleo* originates within Pemex, unlikely to discourage criminal designs on the fuel supply for good. Military force, meanwhile, cannot protect the entire pipeline infrastructure. Instead of engaging in sporadic pursuit of felons and armed protection of the fuel supply, addressing *huachicoleo* and the violence connected with it will require far greater emphasis on the conditions that enable crime in Mexico to spread into new markets. Tackling corruption, reducing impunity and helping the needy through focused regional plans will be essential to ensure that the anti-fuel theft fight is not just another episode in Mexico's misfiring struggle for security.

Mexico City/New York/Brussels, 25 March 2022

Appendix A: Map of Mexico



Appendix B: Map of Pipeline System



Source: Mexican Energy Ministry / MARCH 2022 / CRISIS GROUP

Appendix C: About the International Crisis Group

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