NRDC

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INVESTOR BRIEF

HIGH-RISK, HIGH-IMPACT:

WHY J.P. MORGAN CHASE INVESTORS SHOULD RECONSIDER MEXICO PACIFIC LLC'S SAGUARO LNG PROJECT

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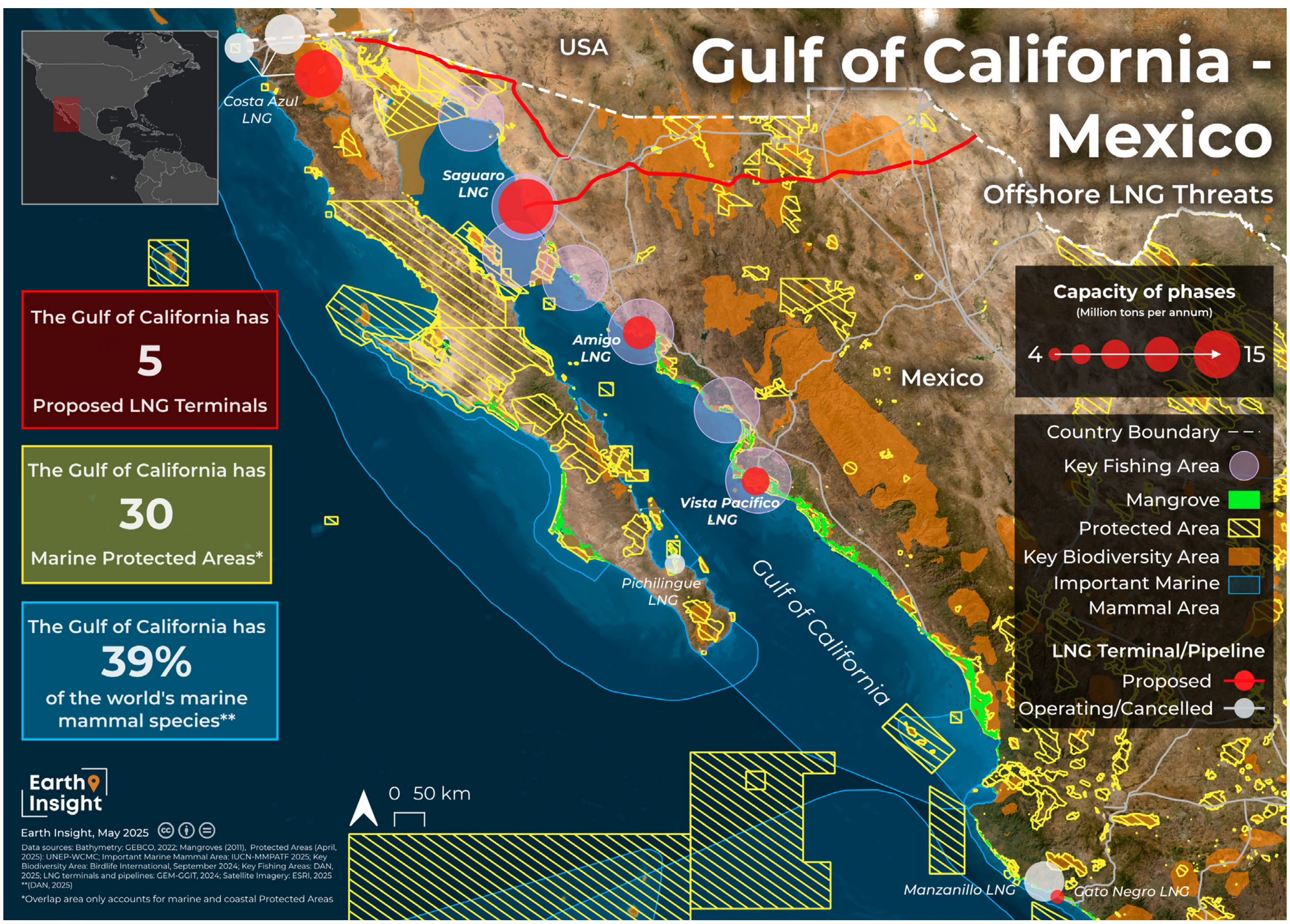
CONTEXT

As global investors increasingly prioritize environmental, social, and governance (ESG) performance, the proposed Saguaro Liquefied Natural Gas (LNG) export terminal project—led by Mexico Pacific LLC (MPL)—should raise serious concerns for shareholders of J.P. Morgan Chase & Co. (JPM). Although marketed as a strategic link between U.S. natural gas supplies and Asian markets, the Saguaro LNG project carries significant long-term risks to investors, frontline communities, and sensitive marine ecosystems.

This brief outlines how JPM's involvement in the project conflicts with its stated environmental commitments, exposes shareholders to stranded asset risk, and undermines both global climate goals and community rights. With an estimated capital cost of at least $15 billion, the project represents a massive long-term commitment to fossil gas infrastructure in a rapidly decarbonizing global economy. NRDC urges all institutional investors currently holding shares in JPM to critically reassess any existing or future exposure to the Saguaro LNG terminal.[1]

FIGURE 1: GULF OF CALIFORNIA-MEXICO



Source: Earth Insight, "Ocean Frontiers at Risk: Fossil Fuel Expansion Threats to Biodiversity Hotspots and Climate Stability," 2025, https://earth-insight.org/report/ocean-frontiers-at-risk/.

CORE CONCERNS FOR INVESTORS

Before diving into the specific risks, it is important to underscore the overarching challenge: large-scale LNG export projects like Saguaro face converging commercial, regulatory, environmental, and geopolitical pressures that threaten their long-term viability. These pressures create material risks for investors, ranging from stranded assets and contract instability to human rights concerns and tightening ESG disclosure requirements. The following sections (A–H) outline the most critical concerns, drawing on market data, regulatory developments, and recent project-level events that together highlight why continued investment in this project carries elevated financial, legal, and reputational exposure.

A. WORSENING COMMERCIAL PROSPECTS DUE TO GLOBAL UNCERTAINTIES

The global LNG sector has experienced dangerous price swings due to geopolitical tensions and supply chain disruptions.[2] Moreover, according to the International Energy Agency (IEA), global fossil fuel demand is expected to peak before 2030 under announced climate policy pledges, casting serious doubt on the long-term viability of new LNG export infrastructure like Saguaro LNG.[3] This makes it more uncertain that MPL will be able to secure long-term buyer agreements.

- **Investors Face Regulatory Ambiguity and Trade Uncertainty:** The U.S. government temporarily paused approvals for new LNG export licenses in early 2024 to assess climate and economic impacts.[4] Though that pause was lifted in 2025, it highlights how vulnerable large-scale fossil fuel projects are to shifting political priorities. Meanwhile, the upcoming six-year review of the United States–Mexico–Canada Agreement (USMCA) in 2026 may further disrupt energy trade flows. Recent tariff tensions between the United States, Mexico, and Canada have already raised alarms about the stability of North American trade arrangements.[5] For projects like Saguaro LNG—which are dependent on stable cross-border regulatory environments—these evolving risks could impair investment security and project viability.
- **Rising Construction Costs Trigger Contract Renegotiations:** MPL is facing serious cost inflation on the Saguaro LNG project. In 2024 the company finalized a revised project design following demands from its engineering, procurement, and construction contractor, Bechtel, to adjust for significantly increased costs of steel, aluminum, labor, and heavy equipment. These trends reflect broader global inflationary pressures affecting large-scale infrastructure projects.[6] In response, MPL has approached existing offtakers to renegotiate commercial terms, specifically seeking to raise liquefaction tolling fees to offset higher capital expenditures.[7] Such renegotiations introduces commercial uncertainty into long-term contracts, potentially eroding buyer confidence and complicating efforts to secure financing.
- **China's Suspension of U.S. LNG Imports Undermines Key Offtake Agreements:** In early 2025 the Chinese government halted all imports of U.S. LNG, reportedly instructing state-owned and private energy firms not to sign new contracts with American suppliers.[8] This action has reverberated across the global LNG market, casting a shadow over Mexican LNG export prospects to China.[9]
- **Asia's Energy Market Is Moving Away from Long-Term LNG:** LNG demand projections across Asia are becoming increasingly uncertain. During the 2021–2022 energy crisis, Asian spot LNG prices spiked by more than 400 percent before collapsing in 2023, illustrating the fuel's extreme price volatility.[10] In 2024, prices still hovered around 90 percent above the 2010–2019 average, underscoring LNG's persistently high cost and potentially deterring new buyers.[11] For example, in July 2025, despite record-breaking electricity demand during a severe heat wave, **China refrained from spot LNG purchases** due to high global prices—relying instead on existing long-term contracts, domestic coal, and renewables.[12] This shift signals China's strategic move away from volatile gas markets in favor of greater price stability through long-term contracts and domestic resources, alongside growing investment in clean energy.

  Japan and South Korea are similarly accelerating their transitions to low-carbon energy systems.[13] Both nations are scaling up hydrogen, offshore wind, and nuclear power to meet energy security and climate goals, while reassessing long-term LNG import commitments.[14] In Southeast Asia, cost pressures, debt constraints, and clean energy development are prompting delays or cancellations of LNG-to-power projects.[15]

B. STRANDED ASSET RISK

Building an LNG export terminal in the United States typically requires **three to five years after a Financial Investment Decision (FID)**, and such infrastructure can be expected to operate for **25 years or more.**[16] However, rapidly evolving global energy policies, technological disruption, and persistent market volatility make it increasingly unlikely that new LNG projects will deliver full returns over their intended life-span.[17] As a result, they carry a high risk of becoming **stranded assets**, i.e., capital-intensive investments that may cease being viable before the end of their economic life.

Analysts predict that global LNG supply capacity will increase by approximately **350 billion cubic meters by 2030**, primarily due to expansions in the United States and Qatar.[18] Yet this wave of supply is arriving amid growing uncertainty around long-term demand. Despite clear signs of global oversupply and tightening climate policies, MPL continues to push forward with the Saguaro LNG project.[19]

- **Asset Longevity Versus Climate Policy Alignment:** Large-scale LNG infrastructure like Saguaro, which is expected to reach full operation in the 2030s, faces serious long-term economic risk in a decarbonizing world. Regulatory momentum is accelerating, with carbon pricing, methane regulation, and emissions caps being implemented across major importing markets such as the European Union, Japan, and South Korea.[20] According to the IEA, under current national climate pledges, global gas demand is projected to peak before 2030.[21] This trajectory erodes long-term asset value and exposes investors to impaired valuations.[22] Market analysts forecast a prolonged glut in global LNG supply, driven by sluggish demand growth and a crowded development pipeline.[23]

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A large LNG terminal situated along the coast of Zhejiang, China.

- **Technological Disruption:** The rapid deployment of clean energy alternatives threatens the long-term market share of LNG. Green hydrogen, battery storage, heat pumps, and direct electrification of industrial and residential sectors are scaling quickly, particularly in Asia and Europe.[24] As governments and corporations implement net-zero GHG emissions strategies, long-term demand for new fossil gas infrastructure—including new LNG terminals—is likely to shrink.[25]
- **Supply Chain and Feedstock Risk:** Saguaro LNG also faces risk on the upstream supply side. The project depends on the construction and reliable operation of the Sierra Madre Pipeline, which would transport fracked gas from the U.S. Permian Basin to the terminal site in Sonora, Mexico.[26] However, the proposed route crosses regions prone to wildfires, organized crime, and community opposition—all of which could compromise the pipeline's long-term operability.[27] If supply to the terminal is disrupted, Saguaro could be left without adequate feedstock for the liquefaction process, jeopardizing its commercial viability.

C. CLIMATE RISK

The Saguaro LNG project is fundamentally incompatible with global climate goals. The IEA has made it clear that no new fossil fuel infrastructure is compatible with its net-zero emissions scenarios.[28]

- **Fossil Fuel Lock-In:** The Saguaro LNG terminal is projected to emit approximately 5.7 million metric tons of carbon dioxide equivalent annually, according to an analysis by the Private Equity Stakeholder Project.[29] In addition to on-site emissions, the project would drive continued U.S. natural gas extraction—particularly fracked gas from the Permian Basin—leading to substantial upstream methane and carbon dioxide pollution. These cumulative emissions threaten to lock in high-carbon energy pathways well beyond mid-century.

  Such fossil fuel lock-in is increasingly incompatible with climate-related financial disclosure frameworks, including those supported by the Task Force on Climate-Related Financial Disclosures and forthcoming International Sustainability Standards Board (ISSB) standards.[30] JPM's continued involvement in this project places it at odds with its own net-zero pledges and exposes shareholders to growing climate litigation and governance risks.[31]

D. ECOLOGICAL AND BIODIVERSITY IMPACT

JPM is a signatory to the UNESCO World Heritage "no-go" commitment, which explicitly discourages financial support for extractive or infrastructure projects that threaten the "outstanding universal value" of World Heritage sites.[32] Any involvement in Saguaro LNG runs counter to this institutional commitment and exposes the bank to reputational and policy risks associated with breaching conservation-aligned investment norms.

- **Ecologically Sensitive Location:** The proposed Saguaro LNG terminal is slated for development along the Gulf of California coastline, near Puerto Libertad in Sonora, Mexico. This site lies adjacent to the Islands and Protected Areas of the Gulf of California, a UNESCO World Heritage site recognized for its extraordinary biodiversity and concentration of marine species, including endangered whales, dolphins, and sea turtles whose migratory routes run through the area.[33] The project poses multiple environmental threats, including increased marine traffic, introduction of invasive species, dredging, light and noise pollution, and accidental fuel or chemical spills. These impacts are especially concerning given the area's role as a critical breeding, feeding, and migratory corridor.[34]
- **Lack of Comprehensive Environmental Review:** Despite the project's scale and transboundary implications—including methane supply pipelines extending from the United States into Mexico—the U.S. Department of Energy (DOE) has not released a full Environmental Impact Statement (EIS). Instead, in 2023 it released only a draft Environmental Assessment, which does not meet the rigor of an EIS under the National Environmental Policy Act.[35] This lack of comprehensive federal review limits meaningful scrutiny of impacts such as upstream emissions, water use, cross-border effects, and risks to biodiversity.

  In Mexico, civil society organizations have raised alarms about gaps in the Environmental and Social Impact Assessment submitted by MPL to SEMARNAT, the federal environment agency. Groups report that consultations with affected Indigenous and coastal communities have been inconsistent and that critical studies—such as cumulative impact analyses and alternative siting evaluations—were not conducted or disclosed.[36] These deficiencies raise questions about procedural fairness, environmental due diligence, and compliance with both Mexican law and international best practice.

The Sea of Cortez separates the Baja California Peninsula from the Mexican mainland. Gray whales migrate here yearly.

E. OTHER PROJECT RISKS

- **Delayed Financial Investment Decision:** MPL has repeatedly postponed its FID since the project's authorization in 2018 by the DOE to export U.S. gas through this Mexico-based export terminal. Under its current export permits, the deadline for starting LNG exports is December 2025.[37] In a June 18, 2025, filing with the DOE, MPL acknowledged it could not meet its current export deadline.[38] The company formally requested a seven-year extension, citing "circumstances outside of its control," which could delay the project's start date to December 2032.[39]

- **Instability in MPL's Financial and Leadership Structure:** MPL, the owner-operator of the Saguaro LNG project, is experiencing significant internal and financial instability. In February 2025, MPL's principal backer, Quantum Capital Group, and other investors divested their stakes to Kronos Polo, LP.[40] Further destabilizing the situation, MPL laid off numerous employees in Houston, shifted its headquarters to Mexico City, and lost CEO Sarah Bairstow to a rival LNG developer.[41] Barely a month later, Kronos Polo transferred MPL yet again, this time to a newly formed shell entity, Mexico Pacific Holdings, LLC, registered in Wilmington, Delaware.[42] This marked MPL's fifth ownership turnover in just over five years, underscoring a pattern of chronic instability.[43]

  The turbulence continued in August 2025, when MPL filed a third supplement to its Change in Control notice with DOE.[44] That filing revealed the addition of three unidentified minority investors from Florida, a restructuring of its management committee, and the renaming of its controlling entity from "MP Holding" to *Windsor Cliff Sponsor*. MPL is now owned through a newly created parent, *Mexico Pacific Holdings LLC*. While the company insists these maneuvers do not amount to a formal change in control, they highlight persistent opacity and churn in its ownership and governance, amplifying concerns about transparency and long-term viability.[45]

- **Legal Risks Threaten Project Time Line:** In Mexico, MPL is facing at least five legal challenges related to the Saguaro LNG project.[46] One case was brought by the Mexican nonprofit *Defensa Ambiental del Noroeste*, which is contesting the project's environmental authorization on the grounds of insufficient ecological safeguards and flawed consultation processes. Another legal challenge involves a private landowner who successfully obtained a provisional injunction halting pipeline construction across their property.[47]

  These lawsuits have already introduced uncertainty into the project time line and could lead to significant delays in the construction of both the LNG export terminal and the Sierra Madre pipeline, which is intended to transport U.S. natural gas across the border into Mexico.

F. MEXICO REGULATORY AND ECONOMIC CHALLENGES

In the context of competing priorities and infrastructure bottlenecks in Mexico, new LNG export projects like Saguaro face mounting logistical and commercial obstacles.

- **Delays Signaling Broader Mexican Market Instability:** Industry analysts and LNG market observers increasingly view the repeated delays in the Saguaro LNG project as symptomatic of deeper regulatory and political challenges facing Mexico's energy sector.[48] These delays—alongside recent lawsuits and rising regulatory uncertainty—reinforce concerns about the viability of Mexico as a reliable LNG export hub. The trend is not isolated: Amigo LNG, a smaller project also located along the Gulf of California, recently postponed its FID target to 2028, explicitly citing heightened regulatory and geopolitical risks.[49]
- **Unfavorable Investment Climate in Mexico:** Mexico's energy sector has experienced significant regulatory shifts under recent administrations, with policies increasingly favoring state-owned enterprises such as CFE (Comisión Federal de Electricidad) and PEMEX (Petróleos Mexicanos), often at the expense of private and foreign investors.[50] Regulatory unpredictability—including delayed permitting, contract revisions, and shifting fiscal rules—has led to lower investor confidence in new energy infrastructure projects.[51] LNG developers have also expressed concerns about the politicization of energy policy in Mexico, particularly in relation to cross-border gas supply agreements and infrastructure ownership.[52]
- **Gas Supply Constraints:** Growing domestic demand for natural gas within Mexico, driven largely by the industrial and power generation sectors, is intensifying competition for supply, much of which is imported from the United States.[53] This raises concerns about whether sufficient volumes of gas will be available to support both domestic consumption and new large-scale LNG export projects like Saguaro LNG.

A piece of extracted gas pipeline sits on the ground in Mexico.

On January 29, 2025, hundreds of activists gathered in Mexico City's central plaza to deliver over 215,000 signatures urging the government to reject the Saguaro LNG project.

G. COMMUNITY, INDIGENOUS, AND HUMAN RIGHTS RISK

The Saguaro LNG project and its associated infrastructure, particularly the Sierra Madre pipeline, pose serious risks to human rights, Indigenous land tenure, and local community well-being. These risks not only challenge the project's long-term viability but also expose international investors to reputational damage, legal liability, and violations of global human rights standards.

- **Social License to Operate at Risk:** Local opposition to the project is broad based and growing. In Mexico, peaceful protests have already taken place, reflecting concerns about environmental harm, lack of consultation, and potential community displacement.[54] The Sierra Madre pipeline, designed to deliver fracked gas from the U.S. Permian Basin to the export terminal, crosses Indigenous territories in Sonora and Chihuahua, where affected communities and activists have raised serious concerns about land rights violations and exclusion from prior consultation processes.[55]

  By financing or facilitating this project, international investors risk breaching their responsibilities under the U.N. Guiding Principles on Business and Human Rights, particularly regarding the duty to prevent, mitigate, and remedy adverse impacts on Indigenous rights and free, prior, and informed consent.[56]

- **Workforce and Safety Vulnerability:** The Sierra Madre pipeline is expected to pass through regions of northern Mexico with documented histories of organized crime, land conflict, and weak labor protections.[57] This raises substantial safety concerns for workers and contractors. Inadequate enforcement of workplace standards in these high-risk zones not only increases the likelihood of labor rights violations but also elevates reputational, operational, and legal risks for project financiers.

H. ESG FINANCING HEADWINDS

Institutional investors and lenders are facing growing scrutiny over their exposure to high-carbon assets, especially as climate risks become more financially material and disclosure rules tighten worldwide. In this context, continued support for fossil gas infrastructure like Saguaro LNG may not only undermine ESG credibility but also expose financial institutions to reputational, regulatory, and shareholder engagement risks.

- **Growing Divestment Trend:** An increasing number of global financial institutions—including the European Investment Bank (EIB), public pension funds, and sovereign wealth funds—have adopted exclusion policies targeting new fossil gas infrastructure. The EIB, for example, no longer finances unabated gas projects, as part of its Climate Bank Roadmap.[58] Likewise, several Nordic and European pension funds have divested from LNG-linked equities and bonds due to climate risk concerns.[59] In this context, JPM's association with the Saguaro LNG project could expose it to increased investor activism, reputational risk, and ESG-related proxy resolutions.

- **Heightened ESG Disclosure Requirements:** Global momentum toward mandatory ESG disclosure is accelerating. In 2023 the ISSB finalized new climate-related reporting standards, which many jurisdictions are in the process of adopting.[60] These frameworks require companies and financial institutions to disclose exposure to high-carbon assets and articulate transition risk strategies. Participation in Saguaro LNG could force JPM and its investors to publicly report involvement in fossil gas expansion, potentially triggering reputational and regulatory risks under evolving ESG norms.[61]

ALTERNATIVES EXIST FOR RESPONSIBLE INVESTMENT IN THE MEXICAN ENERGY SECTOR

For institutional investors targeting long-term energy infrastructure returns in a strategically important country like Mexico, viable and sustainable alternatives to high-cost fossil gas projects are increasingly available. Utility-scale solar, wind, and battery storage projects provide more favorable ESG performance, accelerated development timelines, reduced regulatory risk, and stronger alignment with both Mexico's domestic climate strategy and its international obligations.[62]

The Mexican government set a target to generate 45 percent of its electricity from clean energy by 2030 and is expanding investment partnerships with international development banks to scale renewables.[63] Renewable energy projects generally benefit from shorter construction timelines, reduced volatility in input costs, and eligibility for green bonds and concessional financing—features that fossil gas infrastructure lacks.[64]

A wind farm stands in Yucatan, Mexico.

CALL TO ACTION: RESPONSIBLE INVESTMENT DECISIONS BEFORE FINANCIAL INVESTMENT DECISION

As fiduciaries, investors have both a legal and an ethical obligation to manage material ESG risks. The Saguaro LNG project poses risks that are not just reputational but financial and structural in nature.

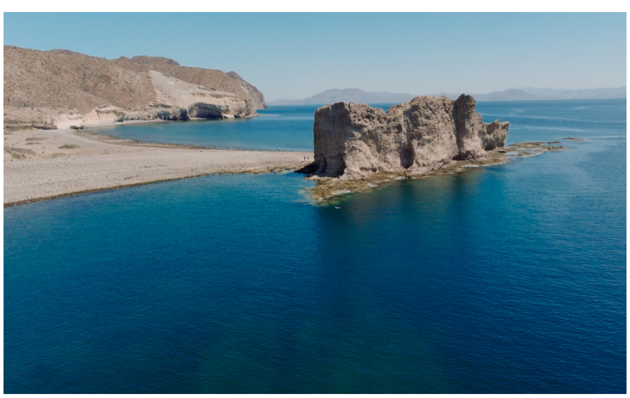
We urge JPM shareholders to back the following actions by J.P. Morgan Chase & Co.:

- Without breaching any legal or contractual obligations, **decline any financing, underwriting, or advisory services for MPL** going forward.
- **Request full transparency** from MPL regarding offtake contracts, environmental approvals, and community and Indigenous People's consultation processes.
- **Implement exclusion screening** for new LNG export infrastructure as part of climate-aligned investment policies.
- **Engage directly with affected Indigenous and community groups** to understand on-the-ground impacts.
- **Shift capital toward renewables and clean energy infrastructure opportunities** in Mexico and elsewhere in Latin America, where alignment with ESG goals and the energy transition is significantly higher.

CONCLUSION

Saguaro LNG is a high-risk, high-emissions project that runs counter to the principles of responsible investing. While Mexico Pacific Limited has not disclosed full financing details, **JPM is reported to be among the lead institutions involved in arranging and underwriting the project's financing.**[65] If approved, this support would expose JPM and its investors to **billions of dollars in potential stranded assets**, particularly as global gas demand is expected to **peak before 2030** and as clean energy alternatives rapidly scale.

Beyond financial and climate risks, **Saguaro LNG poses a profound and irreversible threat to the Gulf of California**, one of the world's most ecologically rich marine ecosystems. The region's extraordinary biodiversity has thrived precisely because it has been **largely untouched by large-scale industrial infrastructure**. Introducing a megaproject of this size would undermine conservation efforts, violate international biodiversity commitments, and damage JPM's credibility as a signatory to environmental and social finance standards.



The coast of Isla Tiburón in the Gulf of California, Mexico.

Investors now face a pivotal choice: to support a just and credible clean energy transition or to help entrench decades of emissions, ecological degradation, and financial devaluation.

We urge you, as shareholders and long-term investors in JPM, to fulfill your fiduciary and stewardship duties by ensuring that the company lives up to its environmental and social commitments. This means pressing for JPM's withdrawal from the Saguaro LNG project and redirecting capital toward lower-risk, sustainable infrastructure that delivers greater long-term value.

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SUGGESTED QUESTIONS FOR ENGAGEMENT WITH J.P. MORGAN CHASE

Investors engaging with J.P. Morgan Chase regarding the Saguaro LNG project may wish to consider the following questions to assess the company's alignment with its biodiversity, climate, and human rights commitments:

- **CLIMATE AND MARKET RISK OVERSIGHT:** How does JPM's board assess and manage climate-related, and market risks associated with fossil fuel infrastructure, specifically the Saguaro LNG project? To what extent are these risks integrated into the company's overall business strategy and investment decisions?
- **UNESCO WORLD HERITAGE EXCLUSION POLICY COMPLIANCE:** What governance mechanisms are in place—at the board and committee levels—to ensure that JPM adheres to its commitment to avoid financing projects that threaten UNESCO World Heritage sites, particularly in relation to its current or planned involvement in Saguaro LNG?
- **PORTFOLIO ALIGNMENT WITH NO-GO COMMITMENTS:** If not already undertaken, will the board direct senior management to review and adjust the bank's energy portfolio to ensure compliance with its "no-go" pledge for UNESCO sites? How is this commitment reflected in JPM's due diligence, client engagement, and project financing practices?

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