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November 30, 2000

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Warren Christopher, Esq.
O'Melveny & Myers LLP
1999 Avenue of the Stars
Los Angeles, California 90067-6035

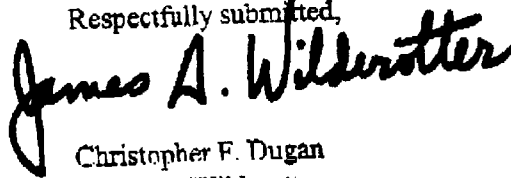
J. William Rowley, QC
McMillan Binch
Royal Bank Plaza
Suite 8300, South Tower
Toronto, Ontario M5J 2J7
Canada

Re: Methanex Corporation v. United States of America

Gentlemen:

Transmitted herewith is Methanex Corporation's Notice of Change of Legal Counsel and Intent to File an Amended Claim, together with a copy of its Notice of Intent to Submit a Complaint to Arbitration under Chapter 11 of the North American Free Trade Agreement.

Respectfully submitted,



Christopher F. Dugan
James A. Wilderotter
ATTORNEYS FOR
METHANEX CORPORATION

JONES. DAY. REAVIS & POGUE

V.V. Veeder, QC
Warren Christopher, Esq.
J. William Rowley, QC
November 30, 2000
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cc: Mark A. Clodfelter, Esq.
Barton Legum, Esq.

In The Arbitration Under Chapter 11
Of The North American Free Trade Agreement
And The UNCITRAL Arbitration Rules
Between

Methanex Corporation,)
)
Claimant/Investor,)
)
-and-)
)
United States of America,)
)
Respondent/Party.)

**NOTICE OF CHANGE OF LEGAL COUNSEL AND
INTENT TO FILE AN AMENDED CLAIM**

Methanex Corporation ("Methanex") files this Notice to advise the Arbitration Tribunal and the United States of America of a change of legal counsel representing Methanex in this proceeding, and of Methanex' intent to file an Amended Statement of Claim and related requests, as described below. These actions arise out of recently-acquired information relating to the State of California's actions concerning Methanex, methanol, and MTBE which are the basis of the injuries suffered by Methanex and for which it seeks relief in this proceeding.

1. Change of Counsel

Because of the new information and Methanex' intent to file an Amended Claim, Methanex' legal counsel, J. Brian Casey and Janet E. Mills of Baker & McKenzie of Toronto,

Ontario, have determined that they must as an ethical matter withdraw from the continued representation of Methanex in this proceeding. Pursuant to Article 4 of the UNCITRAL Arbitration rules governing this proceeding, Methanex advises the Arbitration Tribunal and the United States that it will henceforth be represented by Christopher F. Dugan and James A. Wilderotter of Jones, Day, Reavis & Pogue, 51 Louisiana Avenue, N.W., Washington, D.C. 20001-2113.

2. Intent to File An Amended Statement of Claim

Pursuant to Article 20 of the UNCITRAL Arbitration Rules, Methanex intends to request that this Tribunal accept an Amended Statement of Claim. The Amended Statement of Claim will add a specific claim of discrimination on the basis of nationality prohibited under Article 1102 of NAFTA, and applicable principles of international law, and will set forth additional evidence supporting Methanex' existing claims under Articles 1105 and 1110.

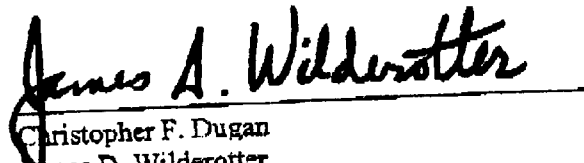
Methanex requests that the Tribunal set a deadline of February 28, 2001 for filing Methanex' Amended Statement of Claim. Jones Day received the full files concerning the case from Baker & McKenzie yesterday, November 29, 2000, and it believes that three months is a reasonable period for it to become familiar with all aspects of the existing claim and to develop the amended claim.

Consistent with Article 20 of the UNCITRAL Arbitration Rules, the Amended Statement of Claim will not prejudice Respondent or improperly delay this proceeding. In this regard, Methanex intends to ask the Arbitration Tribunal to hear and resolve simultaneously the issues of jurisdiction and liability on the merits. Methanex believes that once it has amended its claim, it will no longer be appropriate or efficient to consider jurisdictional issues separately because

those issues are inextricably intertwined with the merits of the case, as will be more fully developed in the Amended Statement of Claim. Thus, it may well be possible to shorten the proceeding by combining the jurisdictional and merits phases.

The February 28, 2001 filing date is also consistent with the notice requirements of Article 1119 of NAFTA. Methanex has notified the United States concerning the Article 1102 claim (Tab 1), and in the event that the Article 1102 claim is considered to be a new claim triggering the requirements of Article 1119, the 90-day notice period will have been satisfied by February 28, 2001. Pursuant to Article 1118 of NAFTA, Methanex also intends to consult with the United States to settle its claim.

Dated this 30th day of November, 2000.


Christopher F. Dugan
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WRITERS DIRECT NUMBER:
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November 30, 2000

The Executive Director
 Office of the Legal Adviser
 United States Department of State
 2201 C Street, N.W.
 Room 5519
 Washington, D.C. 20520-6419

Re: Notice of Intent to Submit a Complaint to Arbitration Under Chapter 11 of the North American Free Trade Agreement

Dear Sir:

Pursuant to Article 1119 of the North American Free Trade Agreement ("NAFTA"), Methanex Corporation ("Methanex") hereby gives written notice of its intention to amend its existing arbitration claim to include a claim against the United States pursuant Article 1102 of NAFTA.

This claim will be added to the claims previously submitted by Methanex against the United States under Articles 1105 and 1110 of NAFTA.¹ Pursuant to NAFTA Article 1119, Methanex advised the United States of the submission of Article 1105 and Article 1110 claims on July 2, 1999; that notice is attached as Tab 1 hereto. Methanex' Article 1105 and 1110 claims were submitted in December 1999, an Arbitration Tribunal has been constituted, and a proceeding is underway pursuant to the Arbitration Rules of the United Nations Commission on International Trade Law ("UNCITRAL").

¹ Methanex will at the appropriate time seek permission from the Arbitration Tribunal, pursuant to Article 20 of the UNCITRAL Arbitration Rules, to file an Amended Statement of Claim to add this Article 1102 claim against the United States to the current proceeding. See Tab 2.

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The Executive Director
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With respect to its Article 1102 claim, Methanex advises as follows:

(a) Name and address of the disputing investor:

METHANEX CORPORATION
1800 Waterfront Centre
200 Burrard Street
Vancouver, British Columbia
Canada V6C 3M1

(b) NAFTA provisions which have been breached:

As indicated, the claim currently pending before the Arbitration Tribunal alleges that the Government of the United States has breached its obligations under the provisions of Article 1105 and Article 1110 of NAFTA, entitling Methanex to claim damages under the provisions of Article 1116 of NAFTA. The Amended Claim will additionally allege that the United States has breached its duties under Article 1102 of NAFTA and applicable principles of international law, entitling Methanex to claim damages under the provisions of Article 1116 of NAFTA.

(c) Issues and factual basis for the claim:

Methanex incorporates by reference and restates the factual bases for the claim set forth in its July 2, 1999 "Notice of Intent to Submit a Claim to Arbitration under Article 1119, Section B, Chapter 11 of the North American Free Trade Agreement." (Tab 1 hereto). With respect to its Article 1102 claim, Methanex additionally states as follows:

1. Ethanol is a heavily subsidized and protected U.S. product, which competes with methyl tertiary-butyl ether ("MTBE") as a source of octane and as an oxygenate for gasoline.
2. MTBE is economically and environmentally superior to ethanol as a source of octane and as an oxygenate for gasoline.
3. Archer Daniels Midland ("ADM"), a corporation headquartered in the United States in Decatur, Illinois, is the primary beneficiary of ethanol subsidies at various governmental levels in the United States.
4. ADM has led the attack on methanol and MTBE by publicly alleging that MTBE and methanol are dangerous, non-U.S. products.

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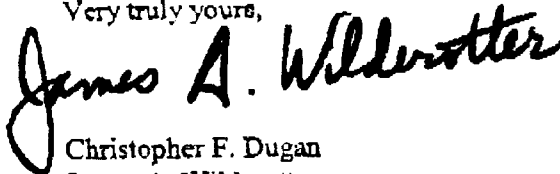
5. Political contributions are a central part of the strategy of ADM to win favorable legislation for the ethanol industry and eliminate competition from methanol and MTBE.
6. ADM and the U.S. ethanol industry improperly influenced the Governor of California, Gray Davis, to discriminate against methanol and MTBE, to the injury of Methanex.
7. Governor Davis improperly discriminated against methanol and MTBE in order to foster the development of an ethanol manufacturing capability in the State of California, further to the injury of Methanex, and to benefit the domestic U.S. ethanol industry in general.

The issues presented include (a) whether Governor Davis and the State of California have taken measures inconsistent with the obligations of the United States under applicable principles of international law and Article 1102 of NAFTA and (b) the damages suffered by Methanex thereby.

(d) Relief sought and damages claimed.

Methanex claims damages under the provisions of Article 1116 of NAFTA for breach of Article 1102 of NAFTA. As indicated in its July 2, 1999 filing, Methanex intends to claim at least \$970 million in compensatory damages plus interests, costs, and any other ancillary relief that the Arbitration Tribunal might deem appropriate.

Very truly yours,



Christopher F. Dugan
James A. Wilderotter
ATTORNEYS FOR
METHANEX CORPORATION

cc: Mark A. Clodfelter, Esq.
Barton Legum, Esq.
Office of International Claims and
Investment Disputes
United States Department of State

TO: Executive Director
 Office of the Legal Advisor
 United States Department of State
 Room 5519
 2201 C. Street NW.
 Washington, D.C.
 20520

**NOTICE OF INTENT TO SUBMIT A CLAIM TO ARBITRATION
 UNDER ARTICLE 1119, SECTION B, CHAPTER 11 OF THE
 NORTH AMERICAN FREE TRADE AGREEMENT**

The disputing investor, Methanex Corporation ("Methanex"), hereby serves notice of its intention to submit a claim to arbitration, under the provisions of Article 1119 of the North American Free Trade Agreement.

Name and Address of Disputing Investor

METHANEX CORPORATION
 1800 Waterfront Centre
 200 Burrard Street
 Vancouver, British Columbia
 Canada V6C 3M1

SERVICE ACCEPTED IN
 OFFICIAL CAPACITY ONLY
Paul S. McLeod
 EXECUTIVE DIRECTOR 2-2-79
 OFFICE OF THE LEGAL ADVISER

PROVISIONS WHICH HAVE BEEN BREACHED

Methanex alleges that the Government of the United States has breached its obligations under the provisions of Article 1105 and Article 1110 of the North American Free Trade Agreement ("NAFTA") entitling Methanex to claim damages under the provision of Article 1116 thereof.

DEPARTMENT OF STATE
 1999 JUL - 2 3 27
 L/X

FACTUAL BASIS FOR THE CLAIM

- 1) Methanex is a company incorporated under the laws of Alberta and continued under the *Canada Business Corporations Act*. Methanex is a producer and marketer of methanol with production facilities located in North America, New Zealand and Chile.

- 2) Methanex Methanol Company ("Methanex US") is a Texas partnership indirectly owned entirely by Methanex.
- 3) Approximately 40% of Methanex US' sales of methanol in the United States are to third parties who use methanol for the production of methyl tertiary-butyl ether ("MTBE").
- 4) The principal uses of MTBE are as a source of octane and as an oxygenate for gasoline. MTBE is soluble in water.
- 5) When gasoline containing MTBE is discharged into the environment some of the MTBE may dissolve in the surrounding ground water. A resultant plume of MTBE in water often travels faster than other gasoline components and is more readily apparent, as it has a characteristic taste and smell. MTBE detection in water may be considered the indicator of gasoline in the environment.
- 6) On March 25, 1999 the Governor of the State of California issued an Executive Order which provided (among other things) for the removal of MTBE from gasoline at the earliest possible date, but not later than December 31, 2002.
- 7) The California State Legislature has, since March 25, 1999, taken additional measures to implement and expand on the Governor's Executive Order.
- 8) The measures taken by the Governor and by the California State Legislature are unfair and inequitable. The measures:
 - (a) are not based on credible scientific evidence;
 - (b) penalize and ban one component of gasoline solely because it provides evidence of the release of gasoline into the environment;

- (c) failed to consider alternative effective measures to mitigate the effects of gasoline releases;
 - (d) result from the failure or delay in enacting appropriate and/or enforcing legislation to reduce or eliminate gasoline releases into the environment; and
 - (e) failed to take proper consideration of the legitimate interests of Methanex and Methanex US.
- 9) The measures go far beyond what is necessary to protect any legitimate public interest.
- 10) The measures taken by the State of California Legislature and the Governor have and will end Methanex US' business of selling methanol for use in MTBE in California. This constitutes a substantial interference and taking of Methanex US' business and Methanex's investment in Methanex US. These measures are both directly and indirectly tantamount to an expropriation.
- 11) As of the date hereof, neither the State of California nor the United States has offered compensation for the expropriation.
- 12) The ban on MTBE has caused and will cause losses including, *inter alia*:
- a) the loss to Methanex and Methanex US of a substantial portion of their customer base, goodwill and market for methanol in California and elsewhere;
 - b) losses to Methanex and Methanex US as a result of the decline in the global price of methanol;
 - c) loss of return to Methanex and Methanex US on capital investments they have made in developing and serving the MTBE market;
 - d) the loss to Methanex of a substantial amount of its investment in Methanex US.

ISSUES

1. Has the State of California taken measures inconsistent with the obligations of the United States under Article 1105 and Article 1110 of the NAFTA?
2. If the answer to 1 is yes, what damages have been suffered by Methanex?

RELIEF SOUGHT AND DAMAGES CLAIMED

1. Methanex claims damages under the provisions of Article 1116 for breach of Article 1105 and Article 1110 of the NAFTA.
2. The approximate amount of damages claimed is U.S. \$970,000,000.
3. Methanex also claims:
 - (a) the costs and expense of any arbitration including professional fees and Canadian goods and services tax, if applicable; and
 - (b) pre-award and post-award interest at a rate to be fixed by the arbitral tribunal.

Dated this 2nd day of July, 1999.

BAKER & MCKENZIE
Barristers and Solicitors
BCE Place, 181 Bay Street
Suite 2100, P. O. Box 874
Toronto, Ontario M5J 2T3

J. Brian Casey
(416) 865-6979 - telephone
(416) 863-6275 - facsimile
Counsel for the claimant