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INVESTMENT OPPORTUNITY IN ARGENTINA

RENEWABLE ENERGIES NEW LEGAL FRAMEWORK

Decree No. 531/2016 implementing regulations on the Renewable Energies Law No. 26,190, as amended by Law No. 27,191 (the “Law”) has been issued by the National Executive Branch on March 31, 2016. The Law, as amended and regulated by the Decree, set forth the regulatory framework for the development of renewable energy investment projects and also generates conditions for investments in renewable energy.

In this regards, the Law established, in a first stage, that electricity generation coming from renewable sources should reach at least an 8% of the whole consumption in the Argentinean electricity market by December 31, 2017. In a second stage, this percentage would be increased up to 20% of the electricity market by December 31, 2025. To achieve such purposes, the Law set forth substantial tax and customs benefits, as well as royalty payment waivers for investment projects in renewable energies.

With the issuance of the Decree, the Executive Branch established new guidelines and principles for the development of energy projects delegating in the Sub-Secretariat of Renewable Energies, the procedures in order to accomplish such purposes, energy tenders or auctions, as well as the implementation of the Trust Fund for the Development of Renewable Energies (“FODER”). In this regard, most relevant aspects of the new legal framework are:

- (i) Enforcement Authority: The Ministry of Energy and Mining.
- (ii) Promotional Regime: Applies to projects in new facilities and in extensions or repowering of the existing ones, over new or used equipment, provided that such facilities incorporate new assets, generate new employments and other services directly connected to the project.
- (iii) Enforcement Authority shall assign promotional benefits for each project.
- (iv) Goals set forth in the Law will be audited yearly as from December 31, 2018 with a 10% tolerance per year for the accomplishment of power consumption objectives set forth therein, being such margin compensated in the subsequent year.
- (v) Administrator of the local Wholesale Electricity Market (“CAMMESA”) shall be the off-taker of the energy purchase agreements (“PPAs”) to be tendered.

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- (vi) Power tenders shall be subject to future regulation. The selection mechanism will be public, competitive and expeditious.
- (vii) FODER Beneficiaries: Individuals with domicile in Argentina or companies incorporated in Argentina and who are entitled to an investment project and “new project” concessions.
- (viii) FODER shall establish two specific purpose accounts to which the following assets shall be transferred in trust: (i) Financing Account Contribution: The National Treasury shall contribute with the sum of AR\$12.000.000.000 (approximately USD 811,000,000 at the current exchange rate) to such Financing Account; and (ii) Guarantee Account: Contributions from Specific Charges to power users (except for large users and large demands (greater than 300MW)), which shall exclusively guarantee the payments owed by CAMMESA or the off-taker under the executed PPAs.
- (ix) The specific charge (subject to periodical review) shall be determined by the Enforcement Authority as per a criterion of AR\$ by MW/h.
- (x) FODER beneficiaries shall be subject to state control in accordance with local regulations.
- (xi) The Enforcement Authority shall set forth the terms and conditions under which a percentage of the funds of the Financing Account of the FODER shall be assigned in favor of the development projects of the value chain of local production of power generating equipment, using renewable energy sources, parts or components.

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