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Academia Nacional de Ciencias Exactas, Físicas y Naturales

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IANAS Energy Focal Points Meeting

Argentina Focal Points Report

Tucson Arizona April 24th-26th 2017

New Renewable Energy Law (27.191)

Passed in October 2015
The law's regulatory decree was published in March 2016.

Includes

- **A new clean energy target**

Year	Target
2017	8%
2019	12%
2021	16%
2023	18%
2025	20%

Renewable energy target by December of each year

To contract 1GW 2016
To add 3GW of installed capacity 2017-2019

- **A new fund to support renewables**

FODER (clean energy fund) to support financing for new renewable projects or expanding existing ones. $811m for projects competing in the auction opened July 2016 (first step).

- **Fiscal incentives**

VAT rebate on the purchase, manufacture or import of new capital equipment, and accelerated depreciation.

Source: Bloomberg New Energy Finance April 2016

National and International Open Call for Tenders

July 2016

Technology	Required Capacity (in MW)
Wind Energy	600
Solar Photovoltaic	300
Biomass (burning and gassing)	65
Biogas	15
MH	20
Total Required Capacity	**1,000**

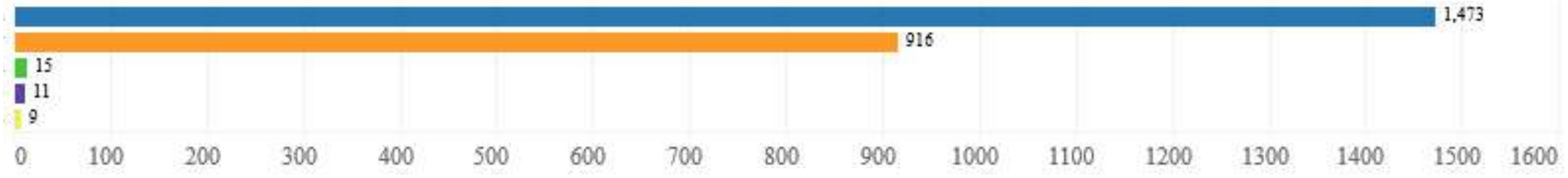
Allocation of the Total Required Capacity by Technology

Source Ministerio de Energía y Minería
Presidencia de la Nación

National and International Open Call for Tenders

July 2016

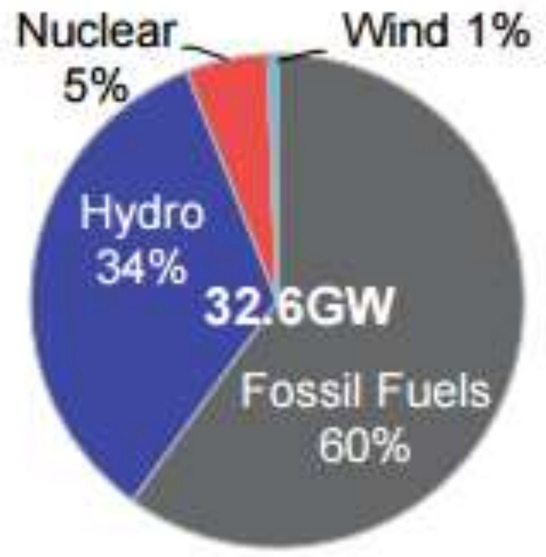
Accepted Projects	Power	Average weighted prize
59	2,423.485	57,44
	MW	U$S/MWh



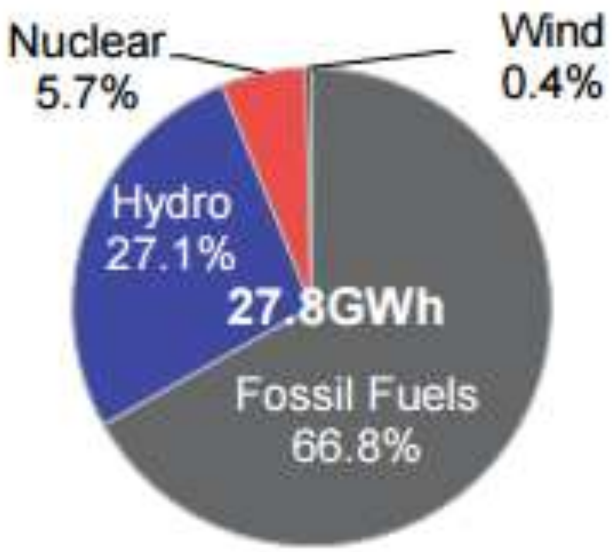
Source Ministerio de Energía y Minería
Presidencia de la Nación

Region	State	Wind	Solar
BSAS	Buenos Aires		
Centro	Córdoba		
	San Luis		
Comahue	La Pampa		
	Neuquén		
	Río Negro		
Cuyo	Mendoza		
	San Juan		
Litoral	Santa Fe		
NEA	Corrientes		
	Misiones		
NOA	Catamarca		
	Jujuy		
	La Rioja		
	Salta		
Patagonia	Chubut		
	Santa Cruz		

Source Ministerio de Energía y Minería
Presidencia de la Nación



Argentina installed capacity (MW)



Argentina power generation
Jan-Feb2016 (GWh)

Source: CNEA

NEW RENEWABLE ENERGY Law (27.191):

Passed in October 2015
The law's regulatory decree was published in March 2016.

Includes

- ❑ A new clean energy target
- ❑ A new fund to support renewables
- ❑ Fiscal incentives.

FODER (clean energy fund) to support financing for new renewable projects or expanding existing ones.

The government will allocate for the fund $811m for projects competing in the auction opened July 2016 (first step).

The main tax exemptions: VAT rebate on the purchase, manufacture or import of new capital equipment and construction, and accelerated depreciation.

Argentina opens the doors to clean energy The enactment of Argentina's new renewables law has the potential to re-ignite the country's largely dormant clean energy sector. Passed in October 2015, Law 27.191 includes a new clean energy target, a new fund to support renewables, and fiscal incentives. At the end of March 2016, the law's regulatory decree was published, signalling the start of implementation. We discuss the new law's incentives and assess its impact on future large-scale clean energy investment in Argentina. • Law 27.191 was approved at the end of Cristina Kirchner's government with the relevant regulations finalised in March 2016. The law sets renewable energy consumption targets while extending tax benefits and exemptions for new clean energy investments. Argentina plans to publish rules for a reverse auction in May with an eye toward contracting 1GW of clean capacity in H2 2016. • The law introduces a Fondo Fiduciario para el Desarrollo de Energías Renovables (FODER, a clean energy fund) to support financing for new renewable projects or expanding existing ones. The government will allocate for the fund $811m that will be most available for projects competing in the upcoming auction, as a first step. • The main tax exemptions available via Law 27.191 are VAT rebate on the purchase, manufacture or import of new capital equipment and construction, and accelerated depreciation. • While it essentially inherited Law 27.191, Argentina's new government has since taking office in December 2015 focussed on opening the country to foreign investment. Energy generally, and clean energy in particular, are part of this plan. In response, foreign investors have begun reconsidering Argentina, with a mix of excitement and caution.

attract international investors, and its ineffective policy incentives all prevented further clean energy development. Today, renewables excluding hydro represent only 1% of the total installed capacity of 32.6GW. In generation terms, through the first two months of 2016 wind and solar accounted for just 0.4% of total generation, according to Argentina's National Atomic Energy Commission (Comisión Nacional de Energía Atómica, CNEA).

Renewable power consumption mandate Law 27.191 sets renewable power consumption targets for all Argentina's electricity consumers. Those connected to the wholesale market or the regular retail system whose demand profile exceeds 300kW that fail to comply will be penalised based on their unmet quota multiplied by a variable determined by the per-MWh price of a diesel plant using imported fuel. In 2015, consumers and retail consumers with demand over 300kW represented about 50% of Argentina's total power consumption, according to CNEA. Renewable energy consumption targets will be implemented gradually (Table 1). To meet their individual goals, consumers can buy clean power directly from generators or through providers. Specifically, this can be done in one of four ways: • Bilateral agreements with generators via distribution companies; • Bilateral agreements directly with generators; • Power purchases from energy traders; • Power purchases from national system and wholesale market operator Compañia Administradora del Mercado Mayorista Eléctrico (CAMMESA). The law mandates a maximum energy purchase price of $113/MWh through the first two years of enforcement. After two years this cap is revised by Autoridad de Aplicación benefits but is not entirely specific on who can qualify to receive them. Further guidance will be required to know if manufacturers or others qualify. What is clear now however is that all tax benefits can apply to generation, cogeneration and selfgeneration renewable energy projects with disbursements of at least 15% of project's total expected investment, up to 31 December 2017. The incentives are: • A value-added tax (Impuesto al Valor Agregado - IVA) rebate available on the purchase, manufacture or import of new capital equipment and construction; • Accelerated depreciation on assets (Impuesto a las Ganancias). This incentive encourages businesses to purchase new assets. It results in greater depreciation expense and smaller taxable income in the earlier years of an asset's life. Investors have two period options that they can apply accelerated depreciation: – Starting from new goods fiscal license period, or; – Starting from new goods purchase, manufacture or import period. • Non-operating losses may be rolled over for 10 fiscal years (above the usually permitted five years); • Exemption from corporate tax on asset-generated dividends to the extent they are reinvested in a new infrastructure project in the country; • Projects using at least 60% locally-manufactured content (or 30% in the case of projects that can prove the lack of local content) receive a credit to offset taxes up to 20% of the project’s local-content related costs. Clean energy players can apply to qualify for all

Clean energy fund To support project financing, the law creates what is intended to be a self-sustaining clean energy fund, Fondo Fiduciario para el Desarrollo de Energías Renovables (FODER). Capital for this is expected to come from the following: • The national treasury, which will contribute at least 50% of what Argentina is deemed to have saved from reducing fossil fuel consumption; • Consumers, who will pay through an additional tax on their monthly bills; • Individual investors, who will be sold stakes in the fund; • Pension funds, who also will take stakes; • The recovery of principal and interest of loans granted. FODER will support clean energy projects via project finance loans and by providing guarantees for all tendered PPAs that apply for development banks funding. IDB and FMO development banks have shown interest in fund auctioned projects with FODER guarantee, but no official information was published confirming it. Projects to be built with higher levels of locally-sourced equipment and with lower risk profiles will have priority. For 2016, Argentina's government plans to allocate $811m to the fund. This amount will likely be available for winning projects in the upcoming auction, expected to be announced in May 2016.

Upcoming clean energy auction The finalisation of Law 27.191's regulations also brought news of an upcoming renewable energy auction planned for May 2016. This too is part of the government's ambitious plan to add 10GW of renewable energy up to 2025. It is expected that around 3GW of clean energy projects will be developed in the first two to three years, bringing around $5bn in investments. The upcoming auction seeks to award long-term contracts associated with 1GW of new capacity, mostly from wind and solar projects. The auction is also expected to include biomass and small hydro projects (

Pursuant to the provisions set forth in Resolutions ME&M No. 71 passed on May 17th 2016 and No. 136 passed on July 25th 2016, CAMMESA calls for the presentation of bids (the 'Open Call for Tenders') for the qualification of and possible award to national or foreign legal entities, for the purpose of executing renewable power purchase agreements to be signed with CAMMESA, acting in representation of Distribution Companies and Large Users of the MEM, with the aim of increasing the share of renewable sources of energy in the country energy mix, pursuant to Acts No. 26190 and No. 27191 and Decree No. 531/2016.

Julio de 2016

1. Objeto

Conforme lo instruido por las Resoluciones MEyM N° 71 de fecha 17 de mayo de 2016 y N° 136 de fecha 25 de julio de 2016, CAMMESA realiza el presente llamado a Convocatoria Abierta (la **"Convocatoria"**) para la calificación y eventual adjudicación de ofertas de personas jurídicas nacionales o extranjeras, a los efectos de la celebración de contratos de abastecimiento de energía eléctrica generada a partir de fuentes renovables con CAMMESA en representación de los Agentes Distribuidores y Grandes Usuarios del MEM, en aras de aumentar la participación de las fuentes renovables de energía en la matriz energética del país conforme lo prescripto por las Leyes N° 26.190 y N° 27.191 y el Decreto N° 531/2016.

2. Definiciones

"**Acuerdo de Adhesión al Fideicomiso FODER**": significa el acuerdo denominado Acuerdo de Adhesión e Incorporación al Fondo Fiduciario para el Desarrollo de las Energías Renovables celebrado, o a ser celebrado, en los términos y condiciones que se

Argentina will allocate $811m to the clean energy fund
FODER in 2016.
•
In H2 2016, Argentina will seek to contract 1GW of power
via a long
-
term auction.
•
The government plans to add 3GW of installed capacity
from renewable sources in the next
three years, attracting around $5bn
over that time

LEY 26190/2006

SECTION 1°

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Aim. To declare of
public interest the gener
ation of electric power from sou
rces of renewable
energy
,
in order to supply the electricity public service
and to conduct
researches and manufa
cture equipment
for
the development of technology.

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Includes

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A new fund to support renewables
Fiscal incentives.

The law sets renewable energy consumption targets while extending tax benefits and exemptions for new clean energy investments. Argentina plans to publish rules for a reverse auction in May with an eye toward contracting 1GW of clean capacity in H2 2016. • The law introduces a Fondo Fiduciario para el Desarrollo de Energías Renovables (FODER, a clean energy fund) to support financing for new renewable projects or expanding existing ones. The government will allocate for the fund $811m that will be most available for projects competing in the upcoming auction, as a first step. • The main tax exemptions available via Law 27.191 are VAT rebate on the purchase, manufacture or import of new capital equipment and construction, and accelerated depreciation. • While it essentially inherited Law 27.191, Argentina's new government has since taking office in December 2015 focussed on opening the country to foreign investment. Energy generally, and clean energy in particular, are part of this plan. In response, foreign investors have begun reconsidering Argentina, with a mix of