

Dear Friends and Clients,

With our newsletter we would like to inform you of recent and significant legal developments in the field of energy law in Argentina.

Best regards,

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ARGENTINA: NEW GAS EXPORT REGIME

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On August 22, 2018, the Argentine Ministry of Energy published Resolution N° 104 in the Official Gazette ("Resolution N° 104/18") which:

i. abrogates the original procedure to obtain gas export authorizations (Resolutions N° 299/98 and 131/01) (the "Old Gas Export Regime").

ii. abrogates previous regulations issued since the 2004 gas crisis that restricted gas exports and suspended the Old Gas Export Regime (including Resolutions N° 265/04

and 883/05 and their amendments), as well as Resolution N° 8/17 (issued by the Macri Administration) that only authorized gas exports with a commitment to re-import in the future equivalent quantities (gas swaps);

iii. approves a new procedure to obtain gas export authorizations (the "New Gas Export Regime"); and

iv. delegates to the Under-Secretariat of Hydrocarbons Resources the enforcement of the New Gas Export Regime (the "Enforcement Authority").

FUNDAMENTALS OF THE NEW GAS EXPORT REGIME

Resolution N° 104/18 highlights in its recitals certain public policy considerations that help to understand the rationale for creating the New Gas Export Regime.

First, it acknowledges that the Argentine legal framework (Hydrocarbons Law N° 17,319, Gas Law N° 24,076, Hydrocarbons Sovereignty Law N° 26,741) seeks to achieve self-sufficiency in hydrocarbons' supply. It also states that unconventional gas (mainly shale and tight gas) shall contribute to the incorporation of reserves and increase of gas production.

Second, it acknowledges that Section 3 of the Gas Law N° 24,076 authorizes gas exports, provided that they do not affect domestic supply.

Third, it acknowledges that the Argentine domestic gas market is highly seasonal, due to the significant influence

of residential consumption (exacerbated during the winter for residential heating). Thus, it states that it is important to promote integration with the regional and global gas markets, so that during periods of lower consumption in Argentina, gas producers maintain a steady gas production.

Fourth, it acknowledges that the world is undergoing an energy transition (from fossil fuels to renewable energies), and that natural gas has a key role to play during such transition given its low carbon dioxide component (in relation to crude oil and coal).

Fifth, it seeks that the New Gas Export Regime is governed by principles of transparency, non-discrimination and public interest. Thus, third-parties may participate during the procedure prior to the issuance of the relevant gas export permit.

CATEGORIES OF GAS EXPORT PERMITS

The New Gas Export Regime establishes six (6) different types of gas export permits. The continuing effectiveness of all the types of export permits is contingent on the security of supply to the domestic market:

1. Long-term and Firm Export Permit:

These permits will be granted for a term longer than one (1) year up to ten (10) years, on a firm basis, when the gas sales agreements contain deliver-or-pay ("DoP") and take-or-pay ("ToP") obligations that may only be excused upon the occurrence of a force majeure event.

They may only be granted if the security of supply of the domestic market is guaranteed (i) during the entire term of the export permit and (ii) an additional term to be fixed by the Enforcement Authority according to the then prevailing circumstances.

The Enforcement Authority shall review the gas export permit every five (5) years (at a maximum) to check if the original conditions for its issuance have not changed.

2. Short-term and Firm Export Permit:

These permits will be granted for a term no longer than one (1) year, on a firm basis, when the gas sales agreements contain DoP and ToP obligations that may only be discharged upon the occurrence of a force majeure event.

They may only be granted if the security of supply of the domestic market is guaranteed during the entire term of the export permit.

3. Long-term and Interruptible Permit:

These permits will be granted for a term longer than one

(1) year up to ten (10) years, on an interruptible basis, when the gas sales agreements do not contain DoP and ToP obligations, or if they do, they may be discretionally discharged by the parties.

4. Short-term and Interruptible Permit:

These permits will be granted for a term no longer than one (1) year, on an interruptible basis, when the gas sales agreements do not contain DoP and ToP obligations, or if they do, they may be discretionally discharged by the parties.

5. Summer Export Permit:

These permits will be granted for a term no longer than five (5) years, but excluding the sub-period between October 1st and April 30th of each year.

6. Operational Swap Permit:

These permits will be granted to solve emergency situations, operational urgent situations or the like, for a term no longer than twelve (12) months counted as from the first export.

They may only be granted if the applicant undertakes to re-import to the domestic market equivalent gas volumes (or power in equivalent quantities -as determined by the Enforcement Authority-), within the next twelve (12) months counted as from the relevant export operation.

As explained below, the requirements change depending on the type of permit. Due to the general condition that the continuing effectiveness of the relevant export permit is conditioned to the security of domestic supply, in all export contracts with DoP clauses, it is advisable for the exporter to include a regulatory force majeure clause.

Rules of Procedure

Applicant

The applicant shall be any legal entity that requests an export permit or an operational swap permit. This means that the New Gas Export Regime is not limited to gas producers (concessionaires under the Hydrocarbons Law) but is also open to gas marketers (registered under the Gas Law).

Applications

Pursuant to Section 3.2. of the New Gas Export Regime, the gas permit application must include the following information and documentation (the "Application"):

i. Executive summary of the gas export transaction that shall be used for its publication in the Ministry of Energy webpage, including:

1. Destination and origin of the natural gas;
2. Maximum and programmed quantities (daily, monthly, annual, total);
3. Delivery conditions such as the DoP, ToP, and Make-up period, if applicable;
4. Price and adjustment formula; the price must expressly set out all included items (compensation, consideration, and/or other contracts or operations directly or indirectly related to the export permit, etc.);
5. Contract term; and
6. The location(s) of gas export from Argentina.

ii. Information related to the Applicant's production capacity and gas availability, including:

1. A summary of the natural gas quantities available to the Applicant's, under contract or directly owned, including daily and annual volumes, owned reserves, purchase agreements between producers and marketers, Liquid Natural Gas import agreements and their re-gasification, and the termination date of such contracts;
2. The contracts, pre-contracts, letters of intent, and any other commercial documentation, with respect to each gas purchase transaction;
3. The name and location of each area out of which the natural gas exports will be conducted;
4. A certification of the proven gas reserves in each area described in (3) above, carried out by an official registered under the Registry created by Resolution SE 324/06;
5. Information on the basis of delivery capacity of each area described in (3) above; and;
6. A program setting out the total production capacity (limited only by existing and estimated surface facilities) and

a program describing how the gas quantities in each area described in (3) above will be produced, to comply with all requirements for the relevant export authorization period;

iii. Information related to the Applicant's gas sales commitments, including: contracts, pre-contracts, letters of intent, and any other commercial documentation with respect to natural gas sale transactions by the Applicant, including (a) copies of the natural gas sale corresponding to the proposed export and (b) a summary of the natural gas sale agreements within Argentina and for export, which extract the natural gas from the same source as the proposed export.

iv. Information related to the export market to be supplied, including: (a) a description of the conditions of import authorizations required in the importing country, if applicable, in order to demonstrate that the Applicant's transaction is permitted by the importing country and (b) an affidavit by the seller and purchaser attesting to the end use of the gas being exported.

v. Information related to the transportation agreements related to the proposed gas export, including: (a) details and conditions of all natural gas transportation contracts within Argentina and abroad and (b) a description of the facilities for capturing, storing and transporting, including new facilities, within Argentina and abroad, required to carry the natural gas to its delivery market.

vi. Impact assessment, which shall include all factors evidencing that the proposed export shall not cause hardships to the domestic market and its security of supply.

vii. Representative: the Applicant shall appoint one (1) representative (attorney-in-fact) that shall be in charge of answering all inquiries raised by an Interested Third-Party (as defined below) on any aspect of the contract, and who shall set up domicile and contact information, and shall be granted a power-of-attorney for the purposes of information requests related to the export application and offers for natural gas purchases.

The Enforcement Authority shall review the Application. If it complies with the requirements established in Section 3.2. of the New Gas Export Regime, an executive summary of the Application shall be published in the web-page of the Ministry of Energy.

Interested Third-Party

An interested third-party (the "Interested Third-Party") shall be any potential purchaser of natural gas that expresses a specific interest in purchasing, all or part, of the gas volumes indicated in the Application for their consumption in the domestic market (the "Expression of Interest").

The Expression of Interest must match, to a reasonable extent, the terms and conditions of the Application. It must be submitted with the Enforcement Authority within five (5) business days from the publication of the Application.

¹This requirement shall not apply to the Applications for a Summer Export Permit or an Operational Swap Permit.

²This requirement shall not apply to the Applications for an Operational Swap Permit

The Enforcement Authority must decide within ten (10) business days if the potential purchaser qualifies as an Interested Third-Party.

Interested Third-Party

Within five (5) business days counted from their qualification as an Interested Third-Party, it may submit an irrevocable offer to purchase gas (the "Purchase Offer").

The Purchase Offer may offer to purchase a volume of gas equal or lower to the Application, but it must abide by the rest of the terms and conditions of the Application.

The Enforcement Authority may propose amendments to the Purchase Offer to persuade the parties (Applicant and Interested Third-Party) to reach an agreement.

The Applicant must answer the Purchase Offer within five (5) business days, informing its answer both to the Enforcement

Authority and the Interested Third-Party.

In case of a lack of agreement, the Enforcement Authority shall request to the Applicant to make a new final sale offer to the Interested Third-Party, following the conditions indicated by the Enforcement Authority. The Interested Third-Party shall have five (5) business days to accept it. If it does not accept it, the opposition from the Interested Third-Party shall be deemed withdrawn.

The lack of replies by the Applicant to any Purchase Offer or information requests regarding the gas export project shall entitle the Enforcement Authority to suspend the Application request.

The Ministry of Energy shall grant the relevant gas export permit within ninety (90) business days counted from the submittal of an Application, provided that the Applicant submitted any requested information and documentation. Applications shall be resolved on a "first come, first served" basis.

Plan Gas Volumes

Any gas production that is exported under the New Gas Export Regime, which is sourced from an unconventional block that has been registered with the "Program for the Promotion of Investments in Unconventional Gas Blocks"

(Resolution N° 46/2017, as amended) may not be eligible for the payment of the gas subsidy. Conventional gas export volumes from companies registered in the aforementioned Program will be discounted for purposes of the subsidy provided for in such program.

Suspension or Forfeiture of the Gas Export Permit

The Ministry of Energy may suspend or forfeit the relevant gas export permit if any of the following events occur (the "Events of Default"):

- i. The Application contains false information.
- ii. The Applicant fails to comply with the terms and conditions of the relevant gas export permit, including without limitation:
 - a. Date for the commencement of gas exports.
 - b. Incorporation of reserves consistent with the contractual commitments undertaken with the foreign purchaser.
 - c. Any other condition established in the export permit.
- iii. The Applicant amends the commercial documentation that was included in the Application, including the gas sales agreement, letter of intentions, in violation of the terms and

conditions established in the export permit.

iv. The Applicant does not inform to the Enforcement Authority any amendments to the gas sales agreements with the foreign purchaser within five (5) business days from the relevant amendment.

v. The export permit affects the security of supply of the domestic market.

Before declaring the suspension or forfeiture, the Enforcement

Authority shall give prior written notice to the Applicant to cure the relevant Event of Default within a term to be established by the Enforcement Authority.

In case of significant irregularities, the Ministry of Energy may unilaterally suspend or forfeit the export permit and, eventually, and claim damages caused by such irregularity, prior notification to the interested parties.

Changes to the Gas Sales Agreement

Any amendment to the contractual conditions related to (i) contracted gas quantities, (ii) life of the export commitment, and/or (iii) price, of the relevant gas sales agreements that were filed with the Application, must be reported within five (5) business days from the relevant amendment.

The Enforcement Authority shall assess such amendments and, if applicable, publish the amendment for purposes of the opposition procedure applicable to Interested Third-Parties. Any other type of amendment must be reported; but not assessed by the Enforcement Authority.

Power Exports

For purposes of granting power export permits, the applicant must submit to the relevant enforcement authority within the Ministry of Energy (e.g., the Electricity Secretariat) a report evidencing the gas volumes to be used for such

“gas-to-power” export project. The Enforcement Authority shall analyze such application, on the basis of the standards established in the New Gas Export Regime.

TAX EXEMPTIONS FOR RENEWABLE ENERGY PROJECTS IN THE PROVINCE OF RÍO NEGRO

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On July 16th, 2018, by means of Provincial Law No. 5,291 (the “Law”), the Legislature of the Province of Río Negro adhered to the National Program for the Promotion of the Use of Renewable Sources of Energy destined for Electric Power Generation No. 27,191 (the “National Promotion Program”), establishing exemptions from Gross Turnover Tax and Stamp Tax for renewable energy projects installed in Río Negro. The exemptions will have a 20-year term from the enactment of the Law.

NEW CAPS ON NATURAL GAS PRICES FOR THERMAL GENERATORS

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By means of the Resolution No. 46/2018 (the “Resolution”), published in the Official Gazette on July 31, 2018, the Ministry of Energy (“MEN”) instructed the Undersecretariat of Electricity to adopt the necessary measures for CAMMESA to call for tenders in order to secure the availability of the gas volumes required to generate electricity, in accordance with the maximum reference prices set forth in Section 2 of the Resolution.

Section 2 establishes new caps on natural gas prices at the point of entry into the transportation system (PIST) for each basin, applicable to the natural gas volumes supplied for the generation of electricity to be traded: (i) in the wholesale electricity market; or (ii) by electric power distribution utilities. The new reference values are the following:

GAS BASIN ORIGIN	Price in USD/MMBTU
Northwest Basin (NOA)	3,94
Neuquen Basin (NON)	4,42
“Golfo de San Jorge” Basin (GSJ or CHU)	3,87
Southern Santa Cruz Basin (SCZ)	3,7
Tierra del Fuego Basin (TDF)	3,58

NEW EXPORT DUTIES ON ALL PRODUCTS, INCLUDING HYDROCARBONS.

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Within a package of reform measures to fight the economic crisis in Argentina, the Federal Executive Power published on September 4, 2018, Decree 793/2018, which imposes a 12% export duty on all goods until December 31, 2020, effective immediately. The duties are capped at ARS 4 per each USD of the customs price or the FOB value, as the case may be. For some specific products, the duties are capped at ARS 3 per each USD of the customs price or the FOB value, but hydrocarbons are subject to the standard cap of ARS 4. The export duties imposed by Decree No. 793/2018 are additional to any existing export duty.

ARGENTINA AND CHILE FOSTER IMPORTS, EXPORTS AND TRANSPORT OF NATURAL GAS AND ELECTRICITY

On April 26, 2018, the Ministry of Energy of Argentina (the "MEA") and the Ministry of Energy of Chile executed an additional protocol (the "Protocol") to the Economic Complementation Agreement No. 16 executed by the Governments of Argentina and Chile on August 2, 1991 ("ACE 16").

By means of this Protocol, the Governments of Argentina and Chile agreed to foster commercial activities, including

imports, exports and transport of natural gas and electricity between them (the "Activities"). To such end, and if deemed necessary, the said countries shall set forth new regulations.

Pursuant to the Protocol, the Activities shall (i) be carried out as long as they do not hinder in any way the local supply of natural gas and electricity, nor hamper the natural gas or electricity transmission networks; (ii) comply with the applicable regulatory framework and (iii) be authorized by the relevant authorities (i.e. the MEA and the Ministry of Energy of Chile).

In light of this, the MEA published Resolution No. 104/18, which among other things (i) abrogated the original procedure to obtain gas export authorizations (Resolutions N° 299/98 and 131/01) and other related regulations that restricted gas exports, and (ii) approved a new procedure to obtain gas export authorizations.

Other similar measures could be expected in the near future to foster imports, exports and transport of natural gas and electricity between the said countries, especially considering that it is in the best interests of Argentina to develop its natural gas reservoirs to satisfy local supply during peak periods and satisfy foreign demand during local off-peak periods.

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