

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.

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1. Renewable Energy: new regulations on extensions to the work milestones for Renovar Round 2 projects

On **February 19, 2019**, Resolution No. 52/2019 (the "Resolution") of the Federal Secretariat of Energy was published in the Official Gazette, setting forth the possibility of obtaining certain extensions to the different construction milestones with respect to projects awarded under Round 2 of the Renovar program.

The Resolution would be based on the (i) generalized delays observed in connection with the achievement of the contractual milestones with respect to Round 2 PPAs motivated by different factors that affect the development of the projects and (ii) the Federal Government's intention to assist in the development of the projects in order to comply with the energy supply goals set out under Laws No. 26,190 and No. 27,191.

Within this context, the Resolution sets out the following:

1. It grants Round 2 project owners the possibility to request an extension of up to 180 days of the Scheduled Financial Close Date (Fecha Programada de Cierre Financiero), Scheduled Construction Commencement Date (Fecha Programada de Comienzo de Construcción) and Scheduled Effective Commencement Date (Fecha Programada de Principio Efectivo de Ejecución), subject to a 30% increase in the original amount of the PPA Performance Bond (Garantía de Cumplimiento de Contrato). In the event that at the date of the extension request, the PPA Performance Bond was already increased by 30% due to the prior delays of the

respective milestones, the bond may be maintained at the original amount plus a 30% increase.

These extension requests must be submitted to CAMMESA on or before April 30, 2019, and the increased PPA Performance Bond must be submitted prior to the execution of the PPA addenda incorporating the extended dates.

Upon expiration of the 180-day extension of the relevant intermediate milestone without evidence of its fulfillment, in each case the project owner shall need to increase the PPA Performance Bond by 20% of the amount in place as of the date of the breach.

2. It authorizes the possibility to request an extension of up to 365 calendar days of the Scheduled Commercial Operation Date (Fecha Programada de Habilitación Comercial), subject to compliance with at least two (2) of the following conditions (at the option of the requesting party):

2.1. A commitment to reach a Declared National Component (Componente Nacional Declarado) ("DNC") of at least 30%. With respect to those projects that have already undertaken in the PPA the integration of a DNC equal or greater than 30%, this requirement shall be deemed satisfied, and the DNC integration percentage shall be maintained as set out in the PPA.

With respect to this requirement, the requesting party must declare the DNC percentage it undertakes to include in the project, which shall be reviewed by the enforcement authority once the Commercial Operation Date is reached.

In the event of a deficiency with respect to the DNC, the project owner shall be subject, under the PPA, to a fine equal to 40% of the monthly invoicing (calculated as the Committed Energy divided by 12 months, times the Awarded Price, as defined in the PPA) for each percentual digit (1%) of deficiency in DNC compliance. This fine is equal to the fine established in the Round 2 bidding terms for deficiencies in reaching the DNC committed in the offer. In the case of those complying with this requirement by having committed a DNC equal to or greater than 30% in the PPA, they must comply with the committed percentage and Section 25.1 of the Round 2 bidding terms shall apply.

In all cases, upon breach of the committed DNC, in addition to the mentioned fine, the following penalties shall apply: (i) a reduction of the PPA's Supply Period (Período de Abastecimiento) and (ii) a reduction of the Incentive Factor (Factor de Incentivo), as mentioned below.

2.2. A reduction in the PPA's Supply Period for a period equal to six (6) times the number of calendar days between the Scheduled Commercial Operation Date and the Effective Commercial Operation Date.

2.3. A reduction of the Incentive Factor (Annex C of the PPA). This reduction shall be carried out in compliance with the formula set out in the Resolution.

The Scheduled Commercial Operation Date extension request must be submitted to CAMESA at least fifteen (15) business days prior to the Scheduled Commercial Operation Date set out in the PPA, indicating which conditions the requesting party commits to satisfy. In the case of projects with a Scheduled Commercial Operation Date that is prior to March 16, 2019, they shall be able to request the extension on or before March 29, 2019.

Upon the expiration of the maximum 365-day extension of the Scheduled Commercial Operation Date without having obtained the commercial operation of the project, Section 7.2.(b).ii of the PPA and Resolution MEM 285/2018

shall apply (i.e., the extensions set out in the PPA Resolution MEM 285/2018 may be requested subject to satisfaction of the conditions set forth thereunder (payment of the daily penalty for delay in the case of Section 7.2 of the PPA and requirements for a new 180-day extension established in Resolution MEM 285/2018)).

3. In addition, the Resolution sets out certain conditions to allow Round 2 awardees that have not executed the relevant PPAs in the applicable term, to do so. In this respect, awardees must meet at least two (2) of the following requirements (at the election of the requesting party):

3.1. A commitment to reach a DNC of at least 30%. With respect to those projects that have already undertaken in the offer the integration of a DNC equal to or greater than 30%, this requirement shall be deemed satisfied, and the DNC integration percentage shall be maintained as set out in the offer. The same rules on DNC verification mentioned above shall apply hereto, with the clarification that in the case of breach of the committed DNC, in addition to the fine, the reduction of the PPA Supply Period and the elimination of the Incentive Factor shall also apply.

3.2. A reduction in the PPA's Supply Period of six (6) years, resulting in a Supply Period of fourteen (14) years as of the Date of Commercial Operation.

3.3. Elimination of 100% of the Incentive Factor set out in Annex C of the PPA.

Execution of these agreements must be carried out on or before April 30, 2019 and must be requested to CAMESA at least ten (10) business days prior to such date. The request notice must specify the two (2) requirements that the requesting party has elected to satisfy. With respect to these agreements, the original terms set out in the offers shall be calculated as of June 1, 2018. In these cases, a request for a change of Strategic Partner (Socio Estratégico) can also be made to CAMESA at least fifteen (15) business days prior to April 30, 2019. In addition, a request for a change in project technology can also be made in the same term.

For these cases, specific rules are included for requesting an extension of the different scheduled work progress milestone dates (Fechas Programadas de Avance de Obras).

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