

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,

José A. Martínez de Hoz (Jr.)
Head Energy Practice Group

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AMENDMENTS TO THE REGULATION OF TRANSPORT OF HYDROCARBONS

Valeria Celesti
valeria.celesti@mhrlegal.com

By means of Decree No. 115/2019 (the "Decree"), the Federal Executive Branch introduced amendments to Decree No. 44/1991, which regulates the transportation of hydrocarbons through pipelines and the granting of concessions thereof.

The Decree intends to improve the regulation for the transport of hydrocarbons, to promote investments in the construction of hydrocarbons evacuation, storage and transportation facilities, as the current system is insufficient for the level of production of hydrocarbons forecasted in the future.

In this context, the modifications intend to adapt the regulation to the needs of the market, in order for such projects to have more bankability and attract investments for the expansion of the transportation system throughout the country.

- Applicability to byproducts of natural gas. The Decree modifies the definitions of "liquid hydrocarbons" and "polyducts", incorporating in said definitions, not only crude oil and its byproducts, but the byproducts of natural gas and liquids extracted from it. Also, polyducts now extend from the injection point up to industrial facilities, ports or other polyducts.

- **Tarif adjustments.** The Decree establishes that transportation tariffs shall be adjusted: (i) every five years; or (ii) upon the occurrence of any material variation in the base indicators for the calculation of such tariffs, upon the request of the holders of a transportation concession. The Decree further clarifies that, for the purpose of the financing and amortization of new investments, the Enforcement Authority may apply longer terms for the adjustment of tariffs.

- **Vacant capacity.** The Decree establishes that vacant capacity shall be annually reported by transportation concessionaires in accordance with the procedures established by the Enforcement Authority.

- **Concession term.** The Decree establishes a thirty-five (35) year term for transportation concessions granted through public tenders, with the possibility of unlimited consecutive ten-year extensions, provided the concessionaire: (i) has complied with its obligations; (ii) is transporting hydrocarbons at the time of requesting the time extension; and (iii) submits an investment plan in accordance with the term extension. This provision is not applicable to transportation concessions granted prior to the entering into force of the Decree, as the latter shall be governed by the terms and conditions in force at the time of their awarding.

- **Firm transportation contracts.** The Decree enables (i) holders of transportation concessions granted after the entering into force of the Decree, and (ii) holders of transportation concessions granted prior to the Decree, with

respect of any expansion of their transportation capacity after the entering into force of the Decree; to enter into firm transportation contracts with producers, which shall be freely negotiated with respect to the allocation of capacity, the price and the transported volumes. On the other hand, capacity that has been allocated through a firm transportation contract but remains vacant, or that has not been allocated through a firm transportation contract, shall be subject to the tariffs approved by the Enforcement Authority in the terms of Decree No. 44/1991.

- **Assignment of transportation concessions.** The Decree establishes that upon the assignment of a transportation concession issued pursuant to Section 28 of Federal Hydrocarbons Law No. 17,319 ("FHL") (i.e. concessions granted as of right of holders of exploitation concessions for the evacuation of their production) the termination of the relevant exploitation concession of the assignor shall not affect the existence of the assigned transportation concession.

- **Other provisions.** The Decree mandates the Enforcement Authority to (i) issue regulation regarding capacity expansion of existing pipelines within ninety days as from its entering into force, and (ii) determine the terms and conditions of the public tenders to be called for the awarding of transportation concessions, on the basis of the proposal from parties interested in obtaining such concessions as set forth in Section 46 of the FHL, within sixty days as from its entering into force.

IEASA CALLS FOR PUBLIC BIDDING TO ASSIGN CONCESSIONS IN THE VACA MUERTA PLAY

Germán Landau
german.landau@mhrlegal.com

Sofía Pellizzaro Arena
sofia.pellizzaro@mhrlegal.com

By means of Public Tender No. ADCH 01/2019, published on February 28, 2019, in the official web page of Integración Energética Argentina S.A. ("IEASA"), IEASA called for public bidding to assign the concessions it holds for conventional and unconventional exploitation and for the transportation of hydrocarbons in Aguada del Chañar lot (the "Lot"), and to assign its contractual position concerning specific contracts and the transfer of ownership of certain surface facilities and tangible assets with regard to the Lot.

The Lot is located in the Vaca Muerta play and surrounded by areas with high conventional and unconventional development.

IEASA holds 100% of the concessions granted by the Province of Neuquén for (i) conventional exploitation (until

2039), (ii) unconventional exploitation (until 2053) and (iii) the transportation of natural gas (until 2053) in the Lot (the "Concessions"). Pursuant to the information provided by IEASA, it shall not retain any interest in the Concessions.

The transaction shall also include the sale of surface facilities existing in the area, consisting of mainly (i) a gas treatment plant, (ii) a 42 km gas pipeline connecting such plant with YPF S.A.'s facilities in Loma Campana, and (iii) a battery with three oil storage tanks of 160 m³ each.

As regards the public bidding dates, tenders may be submitted until May 31st, 2019 and the estimated date of award is June 14th, 2019, whilst the estimated date of execution of the transfer contract and payment of the price is June 28th, 2019.

NEW VALUES FOR THE PAYMENT OF THE RETRIBUTIVE RATES OF HYDROCARBON ACTIVITY SERVICES

Franco Montiel
franco.montiel@mhrlegal.com

By means of Provincial Law No. 3177 published in the Official Gazette on January 18th, 2019, (the "Tax Law"), the Province of Neuquén settled forth the new aliquots, amounts, minimum and fixed values for the collection of the taxes established in the provincial Fiscal Code, which will be in force from January 1, 2019, until December 31, 2019.

Section 47 of the Tax Law establishes the new values for the payment of the Retributive Rates of Hydrocarbon Activity Services (the "Rate"), whose cancellation is mandatory to receive and initiate any procedure or provision of service required before the Undersecretary of Energy, Mining and Hydrocarbons of the Province of Neuquén ("SEMeH").

In this sense, for payment purposes, all proceedings before the SEMeH begins with a protocol for submission.

1. Prior to the submission of any filing before the SEMeH, the applicant must send an e-mail to the reception area (tasahidrocarburosmeH@neuquen.gov.ar) by attaching the digital file of the procedure in order to get the liquidation of the corresponding Fee.

Information relating to the well, area, deposit, type of concession, and others, should be indicated as detailed as possible in order to allow the most efficient individualization of the applicable Rate, in relation to the description in Section 47 of The Tax Law.

2. After that, the SEMeH will send via e-mail the liquidated fee bill to the payment of the Rate.

3. The payment of the Rate must be effective within 15 days of the liquidation date. Failure to pay on time will generate interests settled by the Provincial Tax Bureau. The no payment of them will constitute a fiscal debt and it will be applicable the legal regime established in the Provincial Fiscal Code until its effective payment.

4. Along with the submission of the filing, the applicant must attach the bill of the payment of the Rate, with proof of a bank transfer statement to the following account:

Bank	Banco de la Provincia del Neuquén S.A.
Titularity	Ministerio de Economía
Account name	DPR Nuevos Recursos
Account type	Current account in pesos
CUIT	30-70751909-2
CBU	0970022211000001050255

5. After the submission of the filing, the reception area shall send it to the corresponding Service or Technical Unit of the SEMeH.

IMPORTANT ASPECTS TO TAKE INTO ACCOUNT

A. The payment can only be made by bank transfer to the account indicated above.

B. The SEMeH will not be responsible for the recovery of funds in case that the payment is made to an erroneous bank account, even in those cases in which the bank transfer is made to another organism of the Province of Neuquén. In such case, the fee will be considered as unpaid.

C. Both the liquidation of the fee and its payment are subject to the verification of the pertinent technical areas of the SEMeH to establish its correct treatment.

D. The payment of the fee implies that the filling will be analyzed, but it does not guarantee its favorable resolution.

CURRENT REMUNERATIVE SCHEME FOR OLD CAPACITY

Marcos Blanco
marcos.blanco@mhrlegal.com

Franco Montiel
franco.montiel@mhrlegal.com

Santiago Hearne
santiago.hearne@mhrlegal.com

By means of the Resolution No. 1/2019, issued on March 1, 2019, (the "Resolution"), the Secretariat of Renewable Resources and Electricity Market repealed Resolution No. 19/2017 of the former Secretariat of Electricity, by means of which, following the declaration of an energetic emergency by Decree No. 134/2015, the latter had temporarily redefined the compensation package applicable to generators operating without a power purchase agreement (the "Generators"), in order to enhance maintenance efforts and increase the availability of their facilities through mid-term commitments. Such measures would apply until the wholesale electricity market had been normalized through issuance of definitive regulatory measures by the Federal Government.

The Resolution follows the end of the energetic emergency (which expired on December 31, 2017), and, after carving out from the previous definition of Generator (now called, "Generadores Habilitados") (i) the Binational Hydroelectric Power Plants; and (ii) Nuclear Power Plants, it sets forth a new compensation package for the remaining Generators, albeit also temporary.

As a primary note, the new compensation package reduces the fees payable for available capacity. The impact on the different Generators is dissimilar, since it depends on the longevity and efficiency of each power plant. Power plants that are the least efficient are also the most affected, since they are rarely dispatched and thus rely heavily on fixed availability payments.

UNCONSTITUTIONAL DECREE RELATED TO EXPORT DUTIES

Maximiliano Batista
Maximiliano.batista@mhrlegal.com

Luisina Luchini
Luisina.luchini@mhrlegal.com

On December 26, 2018 the Federal Chamber of Appeals of Comodoro Rivadavia (Chubut) declared unconstitutional the export duties imposed by Decree 793/2018 as of September 4, 2018 until they were ratified by Law 27,467. The court stated that the Executive Branch had no authority to impose export duties by decree, because Congress had not set limits in the broad authorization of art. 755

of the Customs Code, which had rendered it inapplicable. Regarding Law 27,467, which had retroactively ratified Decree 793/2018, the Federal Chamber of Appeals declared the retroactivity unconstitutional and ruled that the duties were valid only after the law ratifying the decree entered into force, i.e., December 3, 2018.

CONTACTS

For your further inquiries the following contact persons are available:



**JOSÉ A. (H.)
MARTÍNEZ DE HOZ**

jose.martinezdehoz@mhrlegal.com

+INFO



PABLO RUEDA

pablo.rueda@mhrlegal.com

+INFO



JUAN CRUZ AZZARRI

juancruz.azzarri@mhrlegal.com

+INFO



TOMÁS LANARDONNE

tomas.lanardonne@mhrlegal.com

+INFO

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