

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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NEW PRICE FOR BIODIESEL

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By means of Disposition No. 289/2019 (the “**Disposition**”), published in the Official Gazette on November 1, 2019, the Undersecretariat of Hydrocarbons and Fuels established the minimum purchase price of biodiesel assigned to mandatory blending with diesel at ARS 38,486 per ton, in

accordance with Law No. 26,093 (the “**Purchase Price**”).

The Purchase Price shall apply to sales made as from November 1, 2019, and until a new purchase price is established to replace it.

ENARGAS APPROVED NEW TARIFF SCHEMES

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By means of Resolutions No. 711/19 and 715/19 both published in the Official Gazette on November 6, 2019, the Argentine Gas Regulator (“**ENARGAS**”) approved new tariff schemes for Camuzzi Gas Pampeana S.A. and GAS NEA S.A. (jointly, the “**Distributors**”).

The Accumulated Daily Differences (“**ADD**”) corresponding to the previous period were taken into consideration for the approval of the Distributors’ tariff schemes.¹ However, certain errors in the calculation of the ADD were detected. Consequently, the Distributors were requested to submit the information that accurately reflected their operations for the period counted from January 2018 to March 2019.

In this regard, in the analysis of the ADD, the following was taken into consideration: (a) the redefinition of the volumes to be considered in the calculation of the ADD through the optimization of the gas purchase agreements and the spot transactions of the corresponding period; and (b) the ratification of the premises and the rectification of the errors regarding the prices of the gas purchased by the Distributors.

Based on the foregoing, new tariff schemes for the Distributors were proposed according to the “Methodology of Transfer to Gas Price Tariffs and General Procedure for the Calculation of Accumulated Daily Differences”.

PROMOTIONAL PROGRAM FOR THE USE AND PRODUCTION OF BIOETHANOL

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By means of Resolution SGE No. 692/2019 (the “**Resolution**”), published in the Official Gazette on November 5, 2019, the Secretariat of Energy (the “**Secretariat**”) reduced the annual sugar cane-based bioethanol quotas assigned to Bio San Isidro SA, Fronterita Energía SA and Energías Ecológicas del Tucumán SA (collectively, the “**Companies**”), pursuant to the terms of Section 9 of

Resolution MEyM No. 37/2016, i.e. upon the Companies’ failure to comply with their monthly quotas.

Accordingly, the Resolution increases the quotas assigned to other sugarcane-based bioethanol processing companies with vacant capacity.

NEW PRICE FOR BIOETHANOL

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By means of Disposition No. 290/2019 (the “**Disposition**”), published in the Official Gazette on November 1st, 2019, the Undersecretariat of Hydrocarbons established new prices for the purchase of bioethanol under Law No. 26,093:

The new prices shall apply to sales carried out as from November 1st, 2019 (Note: Dollar amounts calculated as of the publishing of this Newsletter).

| BIOETHANOL | Price | |
|--|------------------|----------------|
| | ARS | USD |
| Made from sugar cane to be mixed with naphtha. | 28.845 per liter | 0.46 per liter |
| Made from corn to be mixed with naphtha. | 26.606 per liter | 0.46 per liter |

¹Please refer to our article titled “ENARGAS approves methodology to determine the accumulated daily differences between the natural gas purchased by distributors and the gas value of the tariff schedules” in our August 2019 Energy Newsletter -

ENARGAS ISSUES FEDERAL REGULATION FOR NATURAL GAS STORAGE

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By means of Resolution No. 722/2019 (the "**Resolution**"), published in the Official Gazette on November 8, 2019, the Argentine Gas Regulator ("**ENARGAS**") issued a new set of Rules for Natural Gas Storage, included in Annex I of the Resolution (the "**Rules**").

The Rules regulate safety issues with respect to companies that store natural gas (the "**Storage Entities**") pursuant to Section 9 of Gas Law No. 24,076 (the "**Gas Law**"). Natural gas storage includes not only the use of both underground and surface facilities where gas is stored for a period of time, but also the injection, deposit, withdrawal, liquefaction and regasification thereof.

Storage activities are not a public service and are therefore not regulated (other than with respect to safety issues) or subject to mandatory capacity allocation provisions or regulated tariffs.

STORAGE FACILITIES

- Storage facilities governed by the Rules include liquefied natural gas ("**LNG**") storage tanks, plants for loading and discharging compressed natural gas ("**CNG**") or piped natural gas in bulk, LNG regasification and/or liquefaction stations, LNG "peak shaving" storage plants, movable regasification or liquefaction equipment, tanks for the transportation of LNG, underground natural gas storage facilities and LNG transportation modules.
- The Rules exclude the following facilities: (i) facilities and equipment for storing gas used as fuel by automobiles; (ii) CNG supply stations with CNG or LNG storage facilities; (iii) methane vessels used for importing or exporting LNG; and (iv) LNG-fueled equipment for production of hydrocarbons,

together with any activity for the re-injection or recovery of production in a production field.

- Facilities which are not specifically captured by the Rules or other regulations issued by the ENARGAS shall be governed by generally accepted international rules and standards. The security regulations contained in Resolution SE N° 338/12 shall apply on a subsidiary basis.

STORAGE ENTITIES

- The Rules apply to private companies that store natural gas pursuant to the Gas Law.
- Prior to beginning construction of storage facilities, Storage Entities must register with ENARGAS. Storage Entities currently operating must file for registration within 60 business days following the entry into force of the Resolution.
- Natural gas transportation or distribution companies may store natural gas, provided they keep separate accounting or perform such activities through subsidiaries.
- In order to register with ENARGAS, Storage Entities must appoint a technical operator, who must meet certain technical requirements depending on the storage facilities to be operated. The technical operator may be either: (i) an employee of the relevant Storage Entity; or (ii) a third party, in which case the Storage Entity and the technical operator must enter into a Technical Operation Agreement, subject to certain conditions and to a minimum initial 5-year term.
- Storage Entities shall be responsible for the safety conditions in the facilities they operate, and for complying with their obligations under the Rules.

NEW VALUES FOR HYDROCARBONS

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By means of Resolution No. 688/2019, published in the Official Gazette on November 1st, 2019 (the "**Resolution**"), the Secretariat of Energy allowed, as from November 1, 2019 and during the effective term of Decree No. 601/2019, an increase in the selling price of naphtha and gasoil at service stations of 5% with respect to the price thereof in place on September 20, 2019.

Moreover, pursuant to the Resolution, domestic crude oil trade shall be invoiced and paid at the price agreed between

producers and refineries on August 9, 2019 at an exchange rate of USD 51.77, equivalent to a 5% increase over the reference value determined by Resolution No. 557/2019 and a Brent reference price of USD 59 per barrel.

Please note that on November 13, 2019 expired the application of Resolution 566/19 which freezes crude oil, gasoline and diesel fuel prices for as from August 9, 2019 until the after mentioned date.

AMENDMENTS TO THE LIQUID FUEL TAX

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By means of Decree No. 753/19 (the "**Decree**"), published on the Official Gazette on November 1, 2019, the Executive amended the provisions set forth in Decrees No. 381/19 and 607/19 in relation to the tax on liquid fuels.

The increase in the carbon dioxide tax applicable to naphtha

and diesel shall be applied in full as from November 1, 2019.

The increase in the fuel tax applicable to naphtha and diesel shall be partially applied in November 2019 and fully applied as from December 1, 2019.

RENEWABLE ENERGY: EXTENSION OF TERMS PROVIDED IN SECTION 5 OF JOINT RESOLUTION NO. 1/17 (INTEGRATION OF NATIONAL COMPONENT IN WIND TURBINES OVER 700KW)

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By means of Joint Resolution No. 4/2019 (the "**Resolution**"), published on November 8, 2019 in the Official Gazette, the Secretariat of Energy and the Ministry of Production and Labor introduced changes to the rules for evidencing minimum "local component" percentage of integration of wind turbines with a power greater than seven hundred kilowatts (700 kW), originally provided in Section 5 of joint Resolution 1/2017, for the purpose of obtaining the tax benefits contemplated in the Development Promotional Regime set out under subsection 6) of section 9 of Law No. 26,190 (modified by Law No. 27,191 as amended).

The Resolution requires interested parties to evidence that the integration carried out, under the percentages

established in Annex II of the Resolution, represents, at a minimum, the following percentages:

- Thirty-five percent (35%), until December 31, 2020;
- Forty-five percent (45%), until June 30, 2022;
- Fifty percent (50%), until December 31, 2023.

The date to be considered for the application of the percentages established above is the factory exit of the components or processes considered "local" according to Annex II, which must be evidenced with the corresponding documentation.

The relevant supervision shall be carried out at the project site.

COMPENSATION TO NATURAL GAS DISTRIBUTION COMPANIES

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By means of Resolution No. 735/2019, published in the Official Gazette on November 14, 2019 (the "**Resolution**"), the Argentine Gas Regulator ("**ENARGAS**") approved a compensation of ARS 24.5 billion to natural gas distribution companies for the daily accumulated monthly differences between the value of the gas purchased by such gas distribution companies and the value of natural gas included in the tariff schedules in force between April 1, 2018 and March 31, 2019, generated exclusively by exchange rate variations and corresponding to volumes of natural gas delivered in that same period (the "**Accumulated Daily Differences**").

By means of Decree No. 1053/18 (the "**Regime**"), it was stipulated that the National Executive would assume, on an exceptional basis, the payment of the Accumulated Daily Differences and that ENARGAS shall determine the

net amount corresponding to such Accumulated Daily Differences considering the natural gas suppliers included in the Regime.

The following gas distribution companies have requested inclusion in the Regime:

- Naturgy BAN S.A.;
- Metrogas S.A.;
- Camuzzi Gas Pampeana S.A.;
- Camuzzi Gas del Sur S.A.;
- Litoral Gas S.A.;
- Gas Nea S.A.;
- Gasnor S.A.;
- Redengas S.A.;
- Distribuidora de Gas del Centro S.A.;
- Distribuidora de Gas Cuyana S.A.

The following gas suppliers have requested their inclusion to the Regime:

- Integración Energética Argentina S.A.;
- Tecpetrol S.A.;
- Total Austral S.A. (Argentine Branch);
- Compañía General de Combustibles S.A.;
- Pan American Energy S.L. (Argentine Branch);
- Pan American Sur S.A.;
- Wintershall Dea Argentina S.A.;
- Compañía Inversora de Energía S.R.L.;
- Pluspetrol S.A.;
- Pluspetrol Energía S.A.;
- YPF S.A.;

- Enap Sipetrol Argentina S.A.;
- Mobil Argentina S.A.;
- Pampa Energía S.A.;
- Vista Oil & Gas Argentina S.A.U.;
- Roch S.A.; and
- Roch S.A., on behalf of "RIO CULLEN LAS VIOLETAS S.A. Y OTROS UTE"

Based on a joint analysis by the Regulatory Economic Control, Storage and Supply, and Performance and Economy Departments of the ENARGAS, and taking into account the submissions filed, the net amount of the Accumulated Daily Differences was determined and specified in an Annex to the Resolution.

SEMI-ANNUAL ADJUSTMENT OF TRANSPORTATION AND DISTRIBUTION OF GAS

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By means of Resolution No. 751/2019 (the "**Resolution**") published in the Official Gazette on November 25, 2019, the Secretariat of Energy ("**Secretariat**") decided to replace Article 1 of Resolution No. 521/2019 published in the Official Gazette on September 4, 2019.²

² Please refer to our article titled "The Energy Secretariat Freezes Natural Gas Distribution and Transportation Tariffs." in our *September 2019 Energy Newsletter*.

The Secretariat defer the semi-annual adjustment of the transportation and distribution margins foreseen as of October 1, 2019, to February 1, 2020, at which time the value corresponding to the immediately preceding index available will be applied.

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