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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

IN THIS ISSUE

NEW PROGRAM FOR THE REACTIVATION, INVESTMENT, AND INCREASE OF CONVENTIONAL HYDROCARBONS PRODUCTION IN THE PROVINCE OF NEUQUÉN

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Through Article 25 of the Budget Law for the year 2020 (Law No. 3,275), the Legislature of the Province of Neuquén (the "**Province**") authorized the provincial executive (the "**Executive**") to create a program for the reactivation, investment and increase of conventional hydrocarbons production. Within the framework of this law, the Executive Branch was authorized to issue tax credit certificates (the "**Certificates**" or the "**Benefit**") for an amount of up to AR$ 1,000,000,000 which may be used to pay provincial taxes (the "**Program**").

Decree No. 913/21 (the "**Decree**"), which established the rules of the Program, was published in the Official Gazette of the Province on June 16, 2021.

According to the Decree, Concessionaires (according to their participation in the concession) or Concession Operators or Companies with Participation in the Production in a hydrocarbons block through contracts and with an agreement with the Concessionaire may request the Benefit (in the last two cases, with the prior consent of the

Concessionaire). Additionally, those who request the Benefit must be (among others): (1) registered in the Provincial Registry of Hydrocarbons Companies (Provincial Decree No. 1342/15); and (2) in compliance with provincial tax regulations.

In order to obtain the Benefit, companies must submit a reactivation plan (the "**Reactivation Plan**") per each concession block to the Undersecretariat of Energy, Mining and Hydrocarbons of the Province (the "**Enforcement Authority**") within 30 calendar days following the publication of the Decree in the Official Gazette (i.e., on or before July 16, 2021). This deadline was extended for companies interested in the Program which requested such extension.

The Reactivation Plan must include, among others, a description of the project (including a description of the wells and their Historical Production, Base Production, and Incremental Forecast Production), an investment plan (in USD), a list of the local workforce expected to be hired for the project, and the percentage of Benefit requested.

If the Reactivation Plan is approved, it will be included in an agreement (which is exempt from stamp tax) between the Enforcement Authority and the beneficiary (the "Agreement"). The Agreement is submitted to the Ministry of Energy and Natural Resources of the Province for approval and ratification. On that occasion, the amount of the Benefit is determined and is later reported to the Provincial Tax Authority.

Once the Agreement is in force, the beneficiary must submit reports regarding the investments and the hiring of local workforce. After receiving such reports, the Enforcement Authority will issue an administrative act, and within 15 business days, the Provincial Tax Authority will issue the Certificate establishing the amount that may be used by the beneficiary.

The Benefit under the Program is a non-transferable Tax Credit for up to 50% of the investment included in the Agreement. The Tax Credit may be used to pay the turnover tax and is valid until December 31, 2026.

GUIDELINES ON RATIONAL MANAGEMENT OF MINING WASTE

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By means of Resolution No. 181/21, published on the Official Gazette on June 24, 2021 (the "**Resolution**"), the Secretary of Mines approves a general guideline for the rational management of mining waste (the "**Guidelines**"), and invites the provinces to adopt the Guidelines in their respective jurisdictions.

Mining waste is defined as solid residues and mud generated by exploration and exploitation activities, including extraction, benefit and/or processing operations that involve minerals and rocks. Despite the special features of mining waste, it is not subject to specific waste regulations beyond the general framework applicable to mining activities.

In light of the foregoing, the Guidelines set forth specific directives and instructions considering the special features of mining waste. To this extent, the Guidelines:

• Explain the need for a special regulatory framework applicable to mining waste;

• Set forth a ranking of waste management activities from higher preference to lower preference. The positions are listed as follows (from higher preference to lower preference): prevention, reduction, recycling, recovering, eliminating or disposing.

• Set out the applicable principles to the rational management of mining waste (*i.e.*, precautionary principle, protection of the environment for future generations, reduction of quantity and dangerousness of waste generation, and elimination of the waste as close as possible from its place of generation).

• Prescribes the need of having a Management Plan for mining waste that aims to, *inter alia*, prevent and reduce waste, and give value to the reprocessing, recovering or treatment of wastes. The Management Plan shall include a description of (i) the activity that generates mining waste and its treatment, (ii) the potential impacts over the environment and preventive and mitigation measures, (iii) control and monitoring proceedings, and (iv) emergency plan that covers significant extraordinary events.

• Emphasizes the value of reprocessing and recovering mining waste for use in other processes.

RENOVAR AND RESOLUTION 202 PROJECTS: ROAD TO COD

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By means of Resolution No. 742/2021, published on the Official Gazette on August 3, 2021 ("**Resolution 742**"), the Federal Secretary of Energy ("**FSE**") amended Resolution MEM No. 285/2018 ("**Resolution 285**") which established a special regime to obtain an additional 180-day extension (the "**Additional Extension**"), on top of the 180-day extension period as from the Scheduled Commercial Operation Date set forth under Clause 7.2(a) of the *Renovar* 1, 1.5 and 2

power purchase agreements ("**PPAs**"), and Resolution MEM No. 202/2016 PPAs (the "**Contractual Extension Period**").

Extensions to reach COD and delay penalties

Pursuant to Resolution 285, the Additional Extension was contingent on (i) evidencing a work progress of at least 70%, (ii) compliance with the increases in the amount of the PPA Performance Bond for delays in intermediate milestones (if any), and (iii) a 30% increase of the PPA Performance Bond to be submitted at least 10 business days before the expiration of the Contractual Extension Period (the "**R285 Requirements**").

With regards to delay penalties, Resolution 285 established that (i) during the Contractual Extension Period, penalties stipulated in the PPAs would be fully applicable (in Renovar PPAs, USD 1,388/MW per day), and (ii) during the Additional Extension period, penalties would be reduced in proportion to work progress (i.e., during the Additional Extension period, penalties would not exceed 30% of the daily amount).

Resolution 742 (i) increased the Additional Extension Period from 180 days to 360 days as from the expiration of the Contractual Extension Period, (ii) maintained the penalty reduction according to work progress during the Additional Extension Period and until COD, and (iii) in line with Resolution 285, maintain the rule pursuant to which, notwithstanding the actual COD, the supply term under the PPA commences as of the expiration of the Contractual Extension Period. Resolution 742 also extended this scheme to to Renovar 3 (*Miniren*) contracts.

In accordance with Resolution 742:

1. Projects that did not reach COD and may request the Additional Extension: these projects must comply with the R285 Requirements.

2. Projects that did not reach COD and did not request the Additional Extension pursuant to Resolution 285: these projects may request the Additional Extension provided that R285 Requirements are met, and the PPA Performance Bond is replaced for an irrevocable, unconditional, renewable and first demand bank guarantee (either from a local or foreign bank).

The new guarantee must be effective during the Additional Extension period and must be submitted to CAMMESA within 120 days as from the exercise of the option. The exercise of the option must be informed to CAMMESA within 30 business days following the publication of Resolution 742 in the Official Gazette or, the notification of the imposition of the delay penalties, as applicable.

3. Projects that reached COD with a delay beyond the Contractual Extension Period, and were subject to full penalties and did not request the Additional Extension under Resolution 285: power generators may adhere to this regime and benefit from a 70% reduction in the delay penalties imposed as from day 181 (from the Scheduled Commercial Operation Date) until effective COD.

To that end, the power generator must (i) exercise the option within 30 business days following the publication of Resolution 742 in the Official Gazette, and (ii) waive and/or desist (as applicable) from any related action and/or administrative, judicial, extrajudicial or arbitral claim, whether in the country or abroad, against the Argentine State, the FSE or CAMMESA.

In the event the generator is already paying delay penalties, following CAMMESA's recalculation of the same, the readjustment (if applicable) shall be made over the outstanding amounts.

Payment of delay penalties

Resolution 285 stated that once COD was reached, delay penalties would be deducted from monthly power sales under the relevant PPA, in 12 or 48 installments (in the latter case, with interest) at the option of the power generator. Resolution 742 restates such option.

However, in order to ensure that the power generator received sufficient revenue to secure minimum operation of the plants, Resolution 742 states that if the power generator chooses to pay in 48 installments with interest, deductions may not exceed 40% of the monthly invoice. The balance must be paid at the earliest opportunity in which the discount is less than 40% of the monthly invoice.

After the 48 installments (this is, 48 months), any unpaid balance will be deducted on a monthly basis under the same financial terms until the penalty is paid in full. However, installments can never extend beyond the term of the PPA.

FIRST PUBLIC HEARING FOR SEISMIC ACTIVITIES IN ARGENTINA

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By means of Resolution No. 7/2021 ("**Resolution 7**"), the Secretariat of Climate Change, Sustainable Development and Innovation (the "**Authority**"), within the Federal Ministry of Environment and Sustainable Development (the "**MESD**") issued the call for the public hearing in connection to the environmental impact assessment procedure (the "**EIA Procedure**") being carried out by Equinor Argentina AS Sucursal Argentina, pursuant to Joint Resolution No. 3/2019 ("**Resolution 3**"), for the hydrocarbons offshore activities to be performed in blocks CAN 100, CAN 108 and CAN 114 (the "**Northern Project**") (the "**Hearing**").

The Hearing was organized under the terms of Resolution 3 and Decree No. 1172/2003 (which sets forth the procedures

for public hearings conducted by the Federal Administration).

The main features of the Hearing, as per Resolution 7 and the **website** especially created by the Authority for the Hearing (the "**Website**"), are the following:

• Time and place. The Hearing lasted a total of three days (i.e., between July 1 and July 5, 2021), and was broadcasted live via YouTube. The call for the Hearing was available for two days in the Federal Official Gazette and two national newspapers of wide circulation.

• REGISTRY OF PARTICIPANTS. Resolution 7 set up a registry for the enrolment of participants and the submission of any relevant reports and documents in connection with the Hearing (the "**Participants Registry**"). Participants were able to register as from June 13, 2021 until June 29, 2021.

Only participants who wished to speak in the Hearing needed to register by completing the form available on the Website, providing certain personal information (i.e., name, surname, address, email), the reason of their participation and which entity they represented, if any.

More than 500 hundred people registered to participate in the Hearing. During the Hearing, a number of participants waived their right to speak and others which had not previously enrolled in the Participants Registry were allowed to speak, by the express authorization of the Authority, in order to ensure broad public participation.

• AUTHORITIES. Resolution 7 appointed the authorities within the MESD which were responsible for conducting the Hearing. The president of the Hearing was Rodrigo Rodríguez Tornquist, Secretary of Climate Change, Sustainable Development and Innovation.

• DISCLOSED DOCUMENTS. Resolution 7 set forth the publication of all documents, records and studies carried out as part of the EIA Procedure, listed in Annex I thereof. The full administrative docket of the EIA Procedure and the public hearing were made available on the Website.

• RULES. Resolution 7 approved the rules applicable to the Hearing (the "**Rules**") as Annex II, which referred to Decree N° 1172/03 for all matters not covered therein. In particular, the Rules set forth:

a. The possibility to participate via online streaming, provided participants previously enrolled in the Registry of Participants.

b. The possibility of any interested person, whether enrolled in the Registry of Participants or not, to submit written questions or relevant documentation via the Website.

• FINAL REPORT. On July 20, 2021, the MESD published the Final Report of the Hearing, that contained a summary description of the different interventions and the relevant issues discussed therein (the "**Final Report**").

Final Decision. By means of Resolution No. 14/2021 ("**Resolution 14**") published on August 6, 2021 in the Official Gazette, the MESD issued the Final Decision regarding the Hearing (as per Section 38 of Decree N° 1172/03), and established that: (i) the public participation instance required by Resolution 3 had concluded; and (ii) the terms set forth in Section 7 and 8 of Resolution 3 shall commence as from the publication of Resolution 14 in the Federal Official Gazette.

REGISTRY OF LIQUEFIED NATURAL GAS (LNG) OPERATORS. LNG EXPORTS RESOLUTION NO. 706/2021, FEDERAL SECRETARIAT OF ENERGY

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Resolution No. 706/2021 (the "**Resolution**") from the Federal Secretariat of Energy (the "**SE**"), published on July 27, 2021, which established regulations with respect to the Liquefied Natural Gas ("**LNG**") industry, created the following:

• a specific registry to identify all the industry operators, and incorporated such registry into the circuit created by Resolution SE No. 31/21.

• safety conditions to be complied with by the facilities and vehicles used for the processing, storage, transportation, and marketing of LNG (for which purpose an external Safety Audit service shall be required).

• a specific procedure for LNG exports in those cases not included in Section 1 of Resolution SE No. 360/21.

• a penalty regime applicable in the event of non-compliance and/or contraventions by the covered parties, pursuant to Section 5 of Law No. 26,022 and Section 5 of Law No. 13,660.

BELOW A DETAILED DESCRIPTION OF EACH REGULATED MATTER:

I. The Registry

The Registry of Operators of the Liquefied Natural Gas industry (the "**Registry**") was created within the scope of the National Undersecretariat of Hydrocarbons.

a. Covered parties

Those parties operating as processors, storers, transporters and/or marketers of LNG shall be registered in the Registry. Such parties shall be categorized according to the following classification[1]:

1) Producers (liquefaction plant)
1.a) Connected to transportation and/or distribution systems that supply the primary demand of natural gas.
1.b) Not connected to transportation and/or distribution systems that supply the primary demand of natural gas.

2) Marketers

3) Importers/Exporters
3.a) Importers and/or exporters
3.b) Bunker operators

4) Large own consumption
4.a) Without vehicle supply
4.b) With vehicle supply (own fleet)

5) Storers

6) Transporters

b. Audits

Operators shall have a security audit certificate in force, pursuant to Resolution SE No. 414/21, issued by an auditing company authorized by the SE, and they shall comply with the security conditions set forth in Annex III of the Resolution.

c. Information update

The information provided by the registered operators for the purpose of their registration shall be considered as a sworn statement and shall be continuously updated. The Enforcement Authority shall be immediately informed of any modification.

II. Centralization of filings: National Directorate of Economy and Regulation

All filings related to registrations or re-registrations concerning the regulation of activities of production, storage, transportation and/or marketing in the domestic or foreign market of liquid or gaseous fuels in the national territory shall be made before the National Directorate of Economy and Regulation of the National Undersecretariat of Hydrocarbons.

III. Enforcement Authority: National Directorate of Refining and Marketing

The National Directorate of Refining and Marketing of the National Undersecretariat of Hydrocarbons shall be the Enforcement Authority in all matters related to safety, technical analysis and evaluation of supply, and other technical conditions to be complied with by the parties requesting registration in the Registry. Likewise, it shall evaluate the safety audits required in each case.

Such directorate shall be authorized to carry out periodical inspections and controls in the facilities of the registered entities.

Registration under the Registry is independent of the qualifications or authorizations that the operators must obtain in compliance with the fiscal, environmental, safety and technical regulations determined in each case by the local authorities.

IV. LNG Export

a. Tariff Position

The product whose export shall be subject to registration, shall be included in tariff item 2711.11.00 - Liquefied Natural Gas (LNG).

b. Export Permits

1. Requirements
a) Registration in the Registry.
b) Submission of the application for export registration through the platform specified for such purpose.
c) Evidence that the domestic market was granted the possibility of acquiring the product via: (i) the publication of selling offer of the product to be exported on the SE website for a minimum of FIVE (5) business days; and (ii) a statement that no valid offer to purchase the product was received[2] .
e) No record of non-compliance with the obligations of registration and delivery of information, and with the technical regulations on security established by the SE.
f) No delays in the payment of any fines imposed in relation to the obligations referred to in item e) above.

2. Grants

The Enforcement Authority may issue firm LNG export permits up to a maximum period of TWENTY (20) years, after evaluating the security of the domestic natural gas supply based on the project features, and possible impact on the capacity of the natural gas transportation system required by the petition, at any stage of the productive process.

Exceptionally, and only for duly justified reasons, the SE may extend the period assigned for the export of the product, at the request of the interested company.

Likewise, the Enforcement Authority shall pay special attention to those LNG export requests that may generate non-compliance with the natural gas injection commitments made to the Nation, such as those resulting from the rounds awarded under Decree No. 892 dated November 13, 2020 (Gas.Ar Plan) and/or any other promotional or regulatory framework that the National State may establish. If granted, **the authorization to export LNG shall be final and shall not be revoked or interrupted at a later date** for reasons of domestic market security supply.

[1]Categories established in Annex I. The requirements to be complied are listed in Annex II.
[2]In no case discriminatory commercial conditions may be requested from potential buyers or conditions that, directly or indirectly, make the supply inaccessible to domestic demand.

V. Non-compliance. Penalties

Failure to comply with the obligations set forth in the Resolution shall result in fines consisting of the equivalent -in pesos- of a specified amount between fifty thousand liters (50,000 lts) and one hundred and sixty thousand liters (160,000 lts) of super gasoline (according to Annex IV), valued according to the average retail price arising from the values reported by the fuel outlets for such product in force at the time of the infringement in the Autonomous City of Buenos Aires.

The National Directorate of Refining and Marketing shall be the enforcement authority for the penalties regime, and it shall notify the National Directorate of Economy and Regulation of those cases that warrant suspensions or cancellations from the Registry.

VI. Regulatory overlap between Resolution 706/21 and Resolution 733/19 regarding Technical Security.

Regarding the technical security of storage facilities, on the one hand, the Resolution complies with the provisions of Resolution No. 722/19 from the ENARGAS [Regulation for the Storage of Natural Gas] ("**Resolution 722**") regarding the implementation of the "NAG-501/18" regulation as well as any ENARGAS regulation that replaces and/or complements it, as such regulation is mandatory regarding the design, location, construction, operation and maintenance of LNG storage plants on land, including natural gas liquefaction and LNG regasification processes.

On the other hand, the Resolution grants authority to the National Undersecretariat of Hydrocarbons, in its capacity as Enforcement Authority, to carry out periodical inspections and controls in LNG facilities through the National Directorate of Refining and Marketing.

Lastly, the Resolution adds the obligation to hire an external audit service, as mentioned in item I.b above, innovating with respect to Resolution 722, which does not include such requirement.

FARN AND INDIGENIOUS COMMUNITY FILE AN *AMPARO* ACTION AGAINST FRACKING ACTIVITIES IN THE PROVINCE OF NEUQUÉN

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On June 2021, the Fundación Ambiente y Recursos Naturales ("FARN"), the "*Comunidad Mapuche LofWircaleo*" and residents of Sauzal Bonito, Province of Neuquén (jointly, "**Plaintiffs**"), filed a collective environmental direct legal action (*amparo*) against the Province of Neuquén (the "*Province*") before the First Instance Federal Court of Neuquén (the "**Federal Court**") in relation with the seismic effects of unconventional hydrocarbons exploitation activities. On August 2021, the Plaintiffs expanded their complaint and requested the intervention of the Instituto Nacional de Prevención Sísmica (INPRES).

The Plaintiffs argued that federal jurisdiction was applicable over the *amparo* action on the basis of Section 4 of Law No. 19,686, and Section 7 of Environmental Law No. 25,675, alleging that, even though the unconventional exploitation activities take place within the territory of the Province, the seismic effects of such activities extend beyond the Province's boundaries, affecting the Provinces of Mendoza, La Pampa and Río Negro. As a consequence, the environmental damage is interjurisdictional, thus warranting federal jurisdiction. The Plaintiffs rejected the application of the original jurisdiction of the Argentine Supreme Court.

The Plaintiffs requested the Federal Court to issue a ruling ordering the Province to:

(a) carry out environmental impact studies and public participation processes such as public hearings and prior consultations with native communities;

(b) carry out a survey of the constructions in the area, including the engineering works for the exploitation, extraction and/or final deposit of the hydrocarbon activity and a constant monitoring, in order to avoid future damages, considering the seismic activity in the area;

(c) control the sump wells and urgently monitor their current integrity, storage capacity and existing quantity, avoiding their concentration and use in cases of seismic activity risk, promoting their off-site storage and ordering the reuse of such waters after its treatment as hazardous wastes;

(d) take appropriate measures to (i) avoid the induction of seismicity in unconventional hydrocarbons exploitations; (ii) reduce the intensity of unconventional hydrocarbons exploitation; (iii) extend the distance between hydrocarbons areas and urban settlements; (iii) educate the population and create a contingency plan, providing the population with adequate infrastructure to support the alleged catastrophic events that seismicity can produce.

(e) Install seismographs to register seismic activity lower that ML 0.5, and to establish a system of stoplights (*semáforos*) so that concessionaries can stop their operations during an eighteen hour term each time a hydraulic fracture produces a seism higher to 1,5 Richter.

(f) Guarantee the public availability of the data obtained by the seismographs network, which shall be continuously updated.

The Plaintiffs also requested the Federal Court to issue a preliminary injunction prohibiting new hydraulic fractures and ordering the suspension of those authorizations already granted related to hydraulic fractures that have not been executed, until the information requested by means of the

amparo action is collected and/or the Province installs a network of seismographs to control the potentiality and the effects of induced seismicity. Regarding those authorizations already granted regarding hydraulic fractures which have not been executed as of the date the amparo action, the Plaintiffs requested the Federal Court to order the Province to demand concessionaries to install a seismograph (which resulting data shall be public) and to include in their environmental impact declarations all impacts from unconventional hydrocarbons activities, including measures to prevent the induction of seismicity, and indicating the number of hydraulic fractures, speed of injections and the pressure and volume of wells.

In addition, as a preliminary injunction, the Plaintiffs also requested the Court to order the Province to call a round table to guarantee the participation of the affected population.

Lastly, the Plaintiffs requested the declaration of unconstitutionality of Provincial Decree No. 422/2013 (in the case the Province invokes such Decree to avoid including seismicity in environmental impact assessments) and Resolution No. 54/2021 enacted by the Provincial Ministry of Energy.

To substantiate their claim, the Plaintiffs alleged that unconventional hydrocarbons exploitation (specially fracking and the injection of waste waters into sump wells) in Vaca Muerta formation is causing and inducing seismic activity in the region (which allegedly did not exist prior to 2015), and that seismic risks and negative effects are not considered in the environmental impact assessments of hydrocarbons exploitation activities, nor in the enforcement authority's controls. As a consequence, neither the Province nor hydrocarbons' concessionaries are taking measures to prevent or mitigate the negative impacts of seismicity in the region.

They also argued that the Province (i) does not consider the accumulative effect of the existing hydrocarbon unconventional concessions in the Province when granting new hydrocarbons concessions, or authorizing the drilling of new wells; (ii) does not have an appropriate seismic detection equipment; and that the Province (iii) has neglected to provide public information hindering as a consequence the population's control over the Province's acts.

The Plaintiffs argued that seismicity is a major risk for people's safety and health, for the environment, and for the existing infrastructure because the same was not build considering seismicity, as such was allegedly inexistent prior to 2015. Regarding the latter, the Plaintiffs alleged that the existing construction codes of the Province must be reviewed and modified in order to adapt the existing construction requirements to the new geographic characteristics of the region.

They also argued that seismicity can be reduced through the reduction of the water being injected, which can be achieved by (i) reducing the number of fractured wells; (ii) reducing the amount of water used for fracking; (iii) reducing the amount of wastewater that is injected in sump wells, trying to treat such waters and reuse them for new fractures. Other basic practices to reduce risks are, for example, the reduction in the depth of injection wells, which can prevent injections from approaching deep bedrock, where wastewater can press into geological faults directly and thus cause major earthquakes.

Another measure brought by the Plaintiffs to reduce the induction of seismicity is the creation of a monitoring system that determines the risk of new earthquakes, which could be implemented complementary to the practices mentioned above. The Plaintiffs expressed that this technique would allow the authorities to know when an earthquake is likely, and to determine whether it is necessary to stop drilling new production wells or sump wells or new injections of water.

The Plaintiffs finally claimed that if unconventional hydrocarbon exploitation continues without an adequate regulation that contemplates the effects of induced seismicity, and without the existence of a seismographic network to detect seismicity; there will be imminent and irreparable serious damages to the environment with negative consequences for local communities.

On September 2, 2021, the Federal Court ruled against its competence to hear the amparo action. The Federal Court considered that the environmental damage invoked by the Plaintiffs was not interjurisdictional and that the mere allegation of such character was not sufficient to authorize the federal competence. In this sense, the Federal Court sustained that the Plaintiffs did not prove the interjurisdictionality of the induced seismicity nor that such seismicity was a consequence of the hydrocarbon activities taking place in the Province. On the contrary, the Plaintiffs' complaint was addressed to question the provincial environmental and hydrocarbon regulation, and such was not a federal matter.

Consequently, the Federal Court decided that the competence to hear the case corresponded to the local tribunals of the Province.

A NEW LEGAL FRAMEWORK FOR BIOFUELS

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By means of Law No 27,640, published on August 4, 2021, in the Official Gazette, Congress enacted the new legal framework for Biofuels (the "**Biofuels Act**") overseen by the Secretary of Energy (the "**SE**").

1. THE BIOFUELS ACT

The Biofuels Act sets forth a legal framework for all activities related to the production and deployment of local bioethanol and biodiesel (the "**Biofuels**"). The Biofuels Act will remain in force from August 04th, 2021, until December 31st, 2021, with a sole possibility to extend its effects for another 5 years. To access this benefit, companies must be properly licensed, cannot be part of a hydrocarbon producer or distillery, and must use Argentinian raw materials, such as agricultural, agro-industrial or organic waste.

2. COMPULSORY MIX SPECIFICATIONS

The Biofuels Act introduces changes to the compulsory blend proportion for Gasoil/Diesel Products and Naphta (oil-based) products. The SE will fix the prices used for each input.

a. Gasoil/Diesel Products

According to the Biofuels Act, Gasoil and Diesel Products must be blended in a 5% from their total volume with biodiesel. The SE may increase this proportion, or diminish it up to 3%, according to changes in economic circumstances. The mix must not be obtained from an exporting company.

b. Naphta (oil-based) Products

On the other hand, Naphta Products must contain 12% of bioethanol products from their total volume. Ideally, Sugar-based Bioethanol and Corn-based Bioethanol should be used in the same proportion (6% of the total volume each). However, the SE may modify the proportion used for each primary input according to current circumstances. Nevertheless, the difference is that, in case the corn-based proportion is reduced, the Biofuels Act sets forth that 2/3 of the price change will be supported by the exporting bioethanol producers, and 1/3 by local supply companies.

3. IMPORT SUBSTITUTIONS

The Biofuels Act authorizes the SE to introduce resolutions in order to substitute fossil fuel imports with biofuels, to prevent foreign currency outflows, encourage local produce, or encourage employment rates.

4. SANCTIONS

If any of the requirements set forth by this Biofuels Act is not met, the company will be held responsible and sanctioned. Sanctions include: i) temporary or total disqualification or ii) monetary fines.

5. TAX BENEFITS

The Biofuels Act sets forth a series of benefits for companies, including: i) an exemption to pay for Liquid Fuel Tax and i) an exemption to pay Carbon Dioxide Fuel Tax, for all of its chain of production.

This measure does not apply to the stages where hydrocarbons are used.

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