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NEWSLETTER ENERGY & NATURAL RESOURCES

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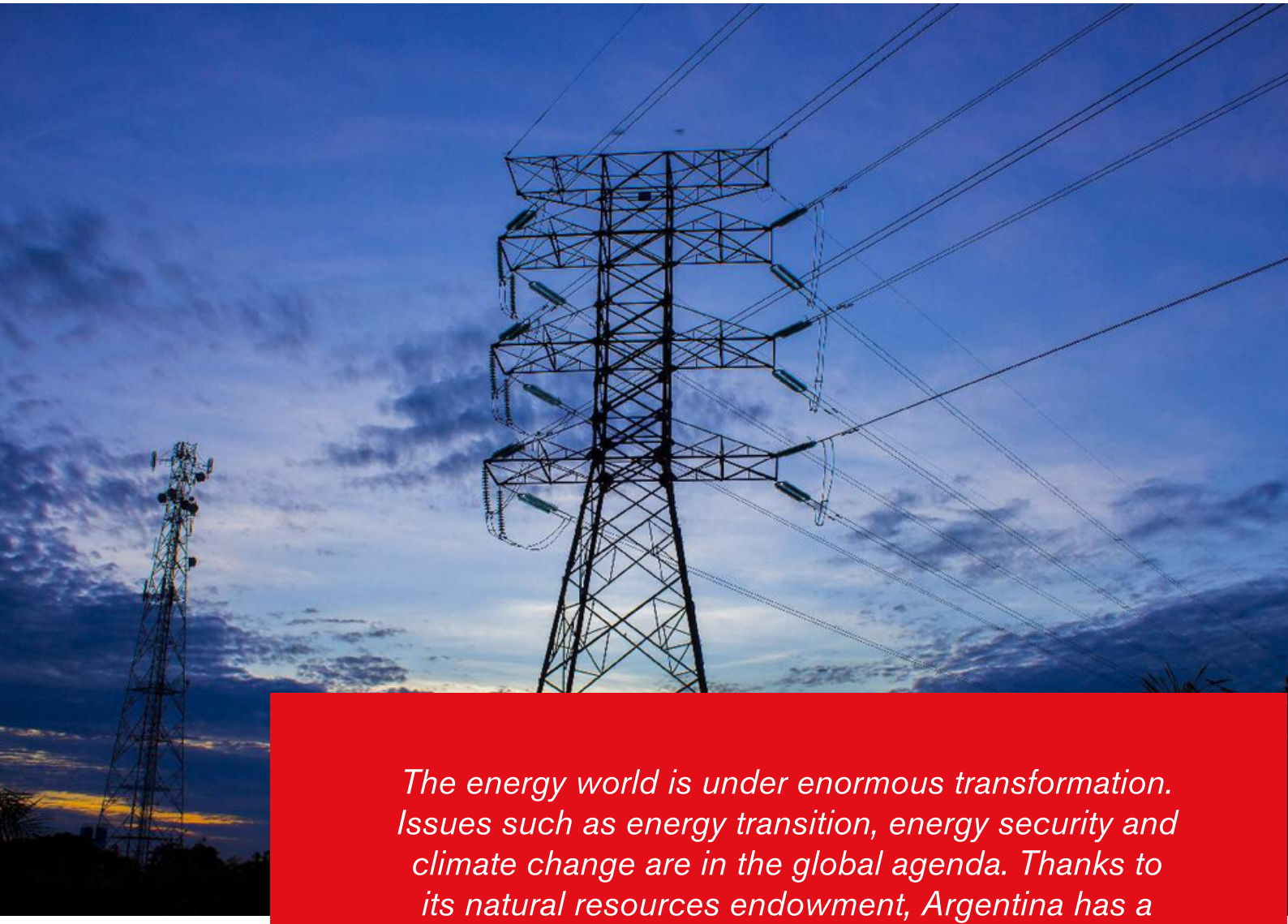

The energy world is under enormous transformation. Issues such as energy transition, energy security and climate change are in the global agenda. Thanks to its natural resources endowment, Argentina has a key role to play in the energy and mining sector. This newsletter intends to inform, with an analytical approach and on a monthly basis, the most relevant events, regulations, and case law taking place in our country.

IN THIS ISSUE

GENERAL DEFINED TERMS

"**CAMMESA**" means Compañía Administradora del Mercado Mayorista Eléctrico S.A.
"**ENRE**" means the National Electricity Regulatory Authority, in Spanish Ente Nacional Regulador de la Electricidad.
"**ENARGAS**" means the National Gas Regulatory Authority, in Spanish Ente Nacional Regulador de Gas.
"**Federal Supreme Court**" means the Argentine Federal Supreme Court.
"**FHL**" means the Federal Hydrocarbons Law N° 17,319, as amended by Laws N° 26,197 and 27,007.
"**MEM**" means the Wholesale Electricity Market, in Spanish Mercado Eléctrico Mayorista.
"**FSE**" means the Federal Secretariat of Energy.
"**MEMTDF**" means the Wholesale Electricity Market of the Tierra del Fuego System.
"**Omnibus Bill of Law**" means the bill of law titled "Law of Bases and Starting Points for the Freedom of Argentines" ("*Ley de Bases y Puntos de Partida para la Libertad de los Argentinos*") submitted by the Federal Executive Branch before the Federal Congress, that includes a general reform of many laws and the organization of the Federal Administration.
"**PIST**" means the Point of Entry into the Transmission System, in Spanish Punto de Ingreso al Sistema de Transporte.

REGULATORY NEWS

BIOFUELS: INCREASE IN MANDATORY PURCHASE PRICES

Federal Law N° 27,640 (the "**Biofuels Law**") establishes the regulatory framework applicable to processing, storage, marketing and blending of biofuels, including bioethanol and biodiesel produced in plants established in Argentina from domestic raw materials deriving from agriculture, agroindustry and/or organic waste.

Sections 8 and 9 of the Biofuels Law establishes the mandatory blending of a minimum percentage of biofuels into fuels marketed within Argentina: (i) 5% in the case of biodiesel blended with diesel oil and biodiesel; and (ii) 12 % in the case of bioethanol blended with gasoline (*nafta*),.

Section 13 of the Biofuels Law sets forth that the price for acquisition of biofuels to comply with the abovementioned blending obligation shall be established by the FSE.

On February 1, 2024, the FSE increased the minimum price for the acquisition of biofuels, considering the national macroeconomic context:

1. (i) by means of Resolution FSE N° 5/2024, it set the minimum purchase price of biodiesel for mandatory blending with diesel at ARS 940,334 (approximately USD 1,065) per ton, which represents an increase of 1.81% compared to the values applicable in December 2023; and[1]

2. (ii) by means of Resolution FSE N° 6/2024, it set the minimum purchase price of bioethanol made from sugarcane at ARS 584,180 (approximately USD 662) per liter, which represents an increase of 25.4% compared to the values applicable in December 2023, and bioethanol made from corn at ARS 536.983 (approximately USD 608) per liter, which represents an increase of 15.75% compared to the values applicable in December 2023, both intended for mandatory blending with gasoline.

This measure is intended to reduce the impact of discrepancies between the regulated prices established by the FSE and the actual costs of manufacturing the abovementioned products, and the distortions this may create in the prices of fuels at the pump peak.

In December 2023, the Federal Executive Branch expressed its position favorable to the deregulation of the biofuels market and free negotiation of prices for acquisition of biofuels intended for mandatory blend under the Biofuels Law between refineries and biofuels producers.

In this context, the original version of the Omnibus Bill of Law submitted by the Federal Executive Branch before the Federal Congress included a reform to the Biofuels Law, which sought to implement a deregulation of the biofuels market. A revised version of the Omnibus Bill of Law proposed inter alia an increase in the percentage of minimum biofuels for mandatory blending, the deregulation of its purchase price, and the establishment of quotas in the biofuels market through the implementation of public tenders, distinguishing quotas applicable to integrated and non-integrated companies.

Due to intense criticism from the biofuels producing sector (mainly located in the Provinces of Cordoba and Santa Fe), the reform to the Biofuels Law was deleted from the latest version of the Omnibus Bill.

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[1] *All conversions assume an exchange rate of USD 1 = ARS 883, corresponding to the sellers' exchange rate "billete" published by Banco de la Nación Argentina on April 8, 2024.*

DEFINITIVE SUMMER QUARTERLY RESCHEDULING FOR THE MEM AND THE MEMSTDF

By means of Resolution FSE N° 7/2024, published in the Official Gazette on February 5, 2024 ("**Resolution 7**"), the FSE approved the definitive summer quarterly rescheduling for the MEM and the MEMTDF, as proposed by CAMMESA. This measure covers the period extending from February 1, 2024, to April 30, 2024 (the "**Period**").

Resolution 7 establishes the application, during the Period, of the Power Reference Prices (*Precios de Referencia de la Potencia*, "**POTREF**") and the Electric Energy Stabilized Price (*Precio Estabilizado de la Energía Eléctrica*, "**PEE**") specified in Annexes I and II, for the demand of electric energy quoted by the Distributing Agents and/or Public Distribution Service Providers, for the MEM (in the case of Annex I) and the MEMSTDF (Annex II).

In addition, Annex IV sets forth the values of the Electric Energy Public Transportation Service for High Voltage and Trunk Distribution (*Servicio Público de Transporte de Energía Eléctrica en Alta Tensión y por Distribución*

Troncal), for each distribution agent of the MEM, with the exception of segments N2 and N3, which will maintain the Stabilized Transportation Prices (*Precios Estabilizados del Transporte*) in force as of January 2024.

Finally, Annex III establishes the prices without subsidy for the current quarter, which must be applied by the distributors and state in the users' invoices the amount of the corresponding subsidy. This subsidy shall be identified as "Subsidio Estado Nacional", as established in Resolution FSE N° 137/1992.

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APPROVAL OF POWER FACTOR IMPROVEMENT PROGRAM

By means of Resolution ENRE N° 85/2024 ("**Resolution 85**"), published in the Official Gazette on February 2, 2024, the ENRE introduced the "Power Factor Improvement Program" (the "**Program**"). The Program aims to promote energy efficiency in the concession areas of the distribution companies EDENOR S.A. and EDESUR S.A. (the "**Distributors**").

Resolution 85 focuses on the minimum allowable ratio for the power factor (factor de potencia), which is the ratio between the power effectively used by the user (active power) and the total power supplied to it (apparent power) circulating through the distribution facilities and causing energy loss. Thus, the power factor is an indicator for the measurement of the proper use of electric energy, using values between 0 and 1, where 1 represents that all electrical energy is used by the user. A power factor closer to 1 indicates more efficient use of electricity, while a lower factor closer to 0 suggests inefficient energy consumption.

Prior to Resolution 85, the permitted limit for the power factor was set at 0.85, a ratio originally established in the Supply Regulation of the former service concessionaire, Servicios Eléctricos del Gran Buenos Aires (SEGBA). However, the ENRE recognizes that consumption conditions and the community's approach to energy efficiency and environmental care have changed radically since then. Therefore, Resolution 85 increases this limit to 0.95.

This adjustment represents a decrease of 10% in the energy absorbed from the grid for a given active power, and a reduction of 20% in energy losses in the grid.

To ensure compliance with this new limit, distributors shall be authorized to measure the power factor during the billing period. Users with a power factor lower than 0.95 will receive notices to cure their situation within 60 days. In case of non-compliance with such notification, Distributors may increase the charge for electricity service by up to 30%, depending on the magnitude of the deviation .

Additionally, Resolution 85 establishes that buildings subject to horizontal property regimes (*regímenes de propiedad horizontal*) within the concession areas of the Distributors, belonging to tariff categories N° 1 (small demand) and N° 2 (medium demand), must install power factor correction equipment at their own cost, if it is below the established limit.

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PUBLIC HEARING FOR THE REDETERMINATION OF THE ELECTRICITY AND GAS SUBSIDY SCHEME

On February 6, 2024, the FSE issued Resolution FSE N° 8/2024, by means of which it convened a public hearing (the "**Public Hearing**") for: (i) the redetermination of the current electricity and natural gas subsidy structure; (ii) its impact on the seasonal price (PEST) in the MEM, the price of gas at the PIST and the price of propane gas diluted in distribution networks; and (iii) the readjustment of the subsidy scheme provided for in the Homes with Gas Cylinders Program (HOGAR).

The Public Hearing took place virtually on February 29, 2024. To date, the FSE has not approved the new subsidy scheme yet.

According to the documentation made available by the FSE in connection with the Public Hearing, the new subsidy scheme would seek to ensure access by all citizens to basic and essential consumption of electricity and natural gas by implementing a "Basic Energy Basket"

(*Canasta Básica Energética*, "**CBE**"), which considers the basic consumption needs of electricity and gas for households, for each month of the year, according: (i) to their geographical location in accordance with the map of bio- environmental zones of the Republic of Argentina; (ii) the household's composition; and (iii) the available energy resources (*electricity*, gas through networks, GP and GNC, and GLP contained in gas cylinders of 10 kg).

Under this new scheme, the FSE will establish a maximum percentage that the CBE must represent with respect to the family income. Those who meet the conditions required to benefit from a subsidy (which will be established by the FSE and mainly consider incomes that are low in relation to the CBE) will receive a subsidy in order to cover the CBE.

This new scheme is based on the households' purchasing power. Therefore, it will maintain a strict control of household income by relying on governmental databases, such as the National Tax and Social Identification System. The scheme will also consider certain parameters of wealth, consumption, and other elements of presumption of unrecorded income.

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ADJUSTMENT OF REMUNERATION OF ELECTRICITY GENERATION FOR SPOT SALES

Federal Decrees of Necessity and Urgency N° 55/2023 and N° 70/2023 declared the emergency of the National Energy Sector concerning the generation, transportation, and distribution segments of electrical energy under federal jurisdiction, as well as the transportation and distribution of natural gas, and the public emergency in economic, financial, fiscal, administrative, pension, tariff, health, and social matters.

The objectives set out by such Decrees related to the electricity generation sector are inter alia: (i) to adopt measures in relation to the electricity generation segment that are necessary to establish mechanisms for the adoption of prices under conditions of competition and free access, to maintain revenue levels in real terms that will cover investment needs; and (ii) the redefinition of the normal performance of the MEM, where supply and demand conduct transactions under rules that establish an autonomous, competitive, and economically sustainable operation.

In this context, on February 7, 2024, the FSE issued Resolution FSE N° 9/2024 ("**Resolution 9**"), as part of the measures adopted to provide guidelines and regulatory mechanisms gradually organizing the National Energy Sector towards deregulation, and redefines the system of the MEM in terms of remuneration for generators for spot sales.

The recitals of Resolution 9 explain that in the period 2016-2023, the remuneration of the existing electricity generation not committed by any type of contract (spot sales) had been set according to the technology and size of the equipment, temporarily, and updated randomly without an established periodicity, all of which affected the normal operation of a significant portion of the energy and power required by the electric system.

Therefore, Resolution 9 adjusts, on a temporary and exceptional basis, the remuneration systems of the MEM and the MEMTDF established in Resolution FSE N° 869/2023 until mechanisms allowing free contracting between supply and demand are defined (which, according to Resolution 9, should occur no later than July 1, 2024).

In particular, Resolution 9 modifies: (i) the specific values to be applied to determine the remuneration of thermal generation of the MEMSTDF; (ii) the remuneration of enabled thermal generation; (iii) the remuneration of enabled hydroelectric generation and from other energy sources; (iv) the remuneration of hydroelectric plants , managed by Binational Entities; and (v) the repayment or refund of financing for major and/or extraordinary maintenance (as established in Resolutions FSE N° 146/2002, 529/2014, and their continuations).

Additionally, it adjusts the formula for calculating the discount that CAMMESA must apply for the calculation of sums due to generating agents, for the purpose of repaying financing granted for the execution of non-recurring maintenance.

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ADJUSTMENT OF MAXIMUM REFERENCE PRICES AND SUBSIDIES WITHIN THE FRAMEWORK OF HOGAR PROGRAM

On February 9, 2024, the FSE issued Resolution FSE N° 11/2024 ("**Resolution 11**"), by means of which it set forth certain measures in connection with reference prices and subsidies set forth as part of the Homes with Gas Cylinders Program (HOGAR) (the "**Program**") created by Decree N° 470/2015, and further regulated by Resolution FSE N° 49/2015 ("**Resolution 49**").

The Program was created in 2015, within the context of Law N° 26,020 that governs production, marketing and supply of Liquefied Petroleum Gas ("**LPG**"). Its purpose is to guarantee access to bottled LPG at differential prices, through a subsidy to the demand of low-income consumers of LPG who reside in areas not reached by, or are not connected to, the gas distribution networks, and the payment of a compensation to LPG producers for such subsidy.

Resolution 11:
(i) established that, until the measures tending to achieve the objectives of Decree N° 70/2023 (economic deregulation) are implemented, the allocation of the Contributions and Quotas set forth in Points 17 and 18 of Section XI of the Annex to Resolution 49, will be made quarterly (instead of annually), in accordance with the methodology set forth therein;

(ii) adjusted the Maximum Reference Prices of butane and propane for producers, and of gas cylinders of 10, 12 and 15 kg, by replacing Annex I of Resolution N° 70/2015 ("**Resolution 70**") for Annex I of Resolution 11;

(iii) adjusted the Maximum Reference Prices of gas cylinders of 10, 12 and 15 kg for gas fractionators and distributors, and for the retail price (in all cases excluding the Maximum Allowable Deviations), by replacing Annex II of Resolution 70, for Annex II of Resolution 11. Moreover, it updated the Maximum Reference Prices of gas cylinders of 10, 12 and 15 kg for each of the provinces in Argentina, including the Maximum Allowable Deviations;

(iv) adjusted the amount of subsidies for gas cylinders, by replacing Point 11.2 of the Annex to Resolution 49; and

(v) adjusted the gas cylinder allocation scheme and maximum consumption per zone/region for January, February, March, and April 2024, by replacing Annex I of Resolution N° 150/2022 for Annex IV of Resolution 11.

All these measures shall be considered temporary until the current subsidies scheme is adjusted.

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CREATION OF COMMITTEE TO STUDY IMPLEMENTATION OF SMART GRID AND SMART METERING SYSTEMS

On February 16, 2024, by means of Resolution ENRE N° 100/2024, the ENRE created a committee to study the introduction of the Smart Meter System for the concession area of distributors EDESUR S. A. and EDENOR S.A., which supply the City of Buenos Aires and Greater Buenos Aires region (the "**Committee**").

The Committee shall be chaired by the ENRE's Financial Controller and composed by representatives of the ENRE and of the abovementioned distributors.

Annex I of the Resolution sets forth the Guidelines for the Implementation of Pilot Projects of the Smart Metering System, which functionalities shall be included in the system to be analyzed by the Committee. The Committee shall prepare a report within 6 months, with partial progress reports, detailing the work carried out and the proposed implementation of a pilot plan for the pre-qualification of technologies and their operational evaluation in the field.

Smart Metering Systems are implemented as part of a process of technological improvement for electricity transmission and distribution networks, called "Advanced Metering Infrastructure". It refers to an integrated system used for collecting, understanding and processing consumer's data remotely on real time, which enables users to become aware of their consumption and to adapt it according to energy efficiency criteria. Additionally, service providers can optimize the management of the electricity grid and the quality of their service, as well as the delivery of information required by the regulator.

Another important aspect of this innovation, in addition to the numerous commercial improvements it enables, is the promotion of investment by users in renewable energies through wind or photovoltaic microgeneration facilities, as smart meters allow users who own such facilities to be remunerated for their contribution of energy to the grid.

Overall, international experience shows that the migration process towards smart meters is gradual and takes usually not less than a decade.

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ADJUSTMENT OF HOURLY RATES AND MONTHLY PENALTIES OF ELECTRICITY TRANSPORTATION LICENSEES

On February 19, 2024, by means of Resolutions N° 104, 105, 106, 107, 108, 109, 110 and 111, the ENRE approved an adjustment on the hourly rates applicable to the regulated equipment of TRANSENER S.A, TRANSBA S.A., TRANSNOA S.A., TRANSENER S.A., TRANSNOA S.A., TRANSENER S.A. and TRANSBA S.A., TRANSNOA S.A., TRANSNEA S.A., TRANSPA S.A., DISTROCUYO S.A., TRANSCOMAHUE S.A. and EPEN, respectively, and the average value of the Historical Monthly Penalties applied to each carrier, in order to increase investments and consider the evolution of the operation and maintenance costs of the electricity transmission system. These tariff updates replace the temporary rates that had been determined by the ENRE on November 1, 2023.

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ENRE: DEADLINE FOR PAYMENT OF CONTROL AND INSPECTION FEE

By means of Resolution ENRE N° 15/2024, the ENRE established that:

(i) generators, transporters, and distributors operating within the MEM shall pay the second installment of the Supervision and Control Fee for the year 2024 (detailed in Annex II) by March 22, 2024; and

(ii) the payment of the third and final installments shall be adjusted based on the definitive calculation of the applicable rates for each company and will be paid on dates to be determined in the administrative acts that duly establish them.

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FUEL AND CARBON DIOXIDE TAX

Executive Decree N° 107/2024 orders the lifting of the Liquid Fuels Tax and the Carbon Dioxide Tax freeze ("**ICL**" and "**IDC**", in their Spanish acronyms), the application of which had been suspended in 2021. To offset the delay in fuel prices, the Decree also establishes a schedule for the reinstatement of its application in stages so that each adjustment reflects the domestic inflation rate of each rimester of 2023, in accordance with Article 7 of the Annex to Decree N° 501/2018.

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PLAN GAS: REPRICING OF GAS AT THE PIST

On March 26, 2024, by means of Resolution FSE N° 41/2024 ("**Resolution 41**"), due to the urgent need to reduce energy subsidies, the FSE set forth the repricing of natural gas at the PIST to be transferred to end-users, included in the agreements entered into under the Federal Plan for the Promotion of Argentine Natural Gas Production (Plan de Promoción de la Producción del Gas Natural Argentino) implemented by Decree N° 892/2020 ("**Plan Gas.Ar**").

This measure intends to reflect the variability of supply costs, and considers that the natural gas transportation and distribution segments are regulated as a public service by the Federal Gas Law N° 24,076. ENARGAS, the regulator, sets the tariffs corresponding to the providers of such services.

Resolution 41 sets forth new prices at the PIST (the "**New Prices**"), applicable according to the following different periods: (i) April 1 to April 30, 2024; (ii) May 1 to September 30, 2024; and (iii) October 1 to December 31, 2024.

Resolution 41 also:

(i) establishes that ENARSA, the natural gas producing companies and the natural gas distributors and/or sub-distributors through networks that have entered into supply contracts or agreements within the framework of the Plan Gas.Ar, shall within 5 days from its publication, adapt such agreements to contemplate the New Prices and submit them to the FSE and the ENARGAS;

(ii) instructs ENARGAS to take the necessary measures to ensure that the invoices issued by the gas distribution and sub-distribution public service providers throughout the country reflect the New Prices; and

(iii) instructs ENARGAS to issue tariff schemes that reflect, on a monthly basis, the fluctuations in the foreign exchange rate that shall be reflected in the corresponding tariffs.

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RECENT CASE LAW

THE FEDERAL SUPREME COURT ISSUES A RULING BALANCING MUNICIPAL POLICE POWERS WITH CITIZENS´ CONSTITUTIONAL PROPERTY RIGHTS IN AN ENVIRONMENTAL URBAN PLANNING CASE

On February 20, 2024, the Federal Supreme Court ruled against the Municipality of the city of Villa de Merlo, Province of San Luis (the "**Municipality**"), after considering that the administrative restrictions imposed by the Municipality over the property of two citizens of the city of Villa de Merlo ("**Claimants**") materially affected their property rights and, therefore, decided they were entitled to damages.

Claimants filed a lawsuit before the local courts of the Province of San Luis against the Municipality, seeking the declaration of unconstitutionality of certain ordinances issued by the Municipality (the "**Ordinances**"). The Ordinances had declared Claimants' property as a "Protected Natural Reserve", prohibiting its division into lots or any constructions therein, and allowing only a "tourist" use of the same. Claimants sought compensation and the annulment of the Ordinances, alleging these materially affected their property rights.

The Supreme Court of the Province of San Luis (the "**Local Court**") rejected the Claimants' complaint, on the grounds that: (i) the administrative restrictions imposed by the Municipality did not automatically justify a right to compensation, but rather only if these constituted a real impairment or dismemberment of property; (ii) the Ordinances fell within the legitimate exercise of the Municipality's environmental police power; and (iii) the restrictions were mere administrative restrictions that did not constitute a material impairment of Claimants' property rights.

The Claimants filed a federal extraordinary appeal ("**REX**") against the Local Court's ruling, which was rejected by the Local Court, and prompted the Claimants to file a complaint (Queja) directly before the Federal Supreme Court.

The Federal Supreme Court admitted the REX and found that the Local Court had failed to properly consider the actual implications that the Ordinances had on the Claimants' property rights, and had instead dogmatically ruled that the Ordinances had not affected the Claimants' rights.

The Federal Supreme Court made a distinction between administrative restrictions that: (i) the Municipality may impose on the citizens' property that do not entail an impairment to the full exercise of their property rights and that they must bear for the benefit of the community; and (ii) those imposed by the Municipality that substantially affect the full exercise of the owner's property right. The Federal Supreme Court found that the first type of restrictions did not amount to compensation, while the second type did.

The Federal Supreme Court emphasized that, although the regulation of the use of property is a legitimate municipal power, especially in urban planning and environmental protection matters, such regulation must respect constitutional principles and may not entail a distortion of property rights.

Therefore, it considered that the Ordinances substantially affected the Claimants' property rights, vacated the Local Court's judgement and ordered the latter to issue a new ruling in accordance with the Federal Supreme Court's decision.

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THE FEDERAL SUPREME COURT CONFIRMS ORIGINAL JURISDICTION TO RULE ON FEDERAL MATTERS IN CONNECTION WITH ROYALTY CLAIM AGAINST THE PROVINCE OF NEUQUÉN

In 2020, Total Austral S.A. and Capex S.A. (the "**Plaintiffs**") each individually filed a request for injunction and declaratory relief (the "**Claims**") challenging Federal Decree N° 488/20 ("**Decree 488**") against the Province of Neuquén (the "**Province**"). The Plaintiffs were represented by MHR.

Decree 488, enacted in May 2020, had essentially fixed the price of crude oil for the domestic market at an artificially above-market price and required producers to pay royalties based on such inflated price (regardless of their actual lower sales price) (known as "*barril criollo*"). In respect of volumes produced in Neuquén, the Province claimed that the Plaintiffs had to calculate and pay royalties according to the artificial crude oil price set forth by Decree 488, and applied fines to the Plaintiffs.

The Plaintiffs brought legal actions directly before the Supreme Court invoking its direct original jurisdiction, alleging the Claims against the Province related to matters that required the interpretation of federal rules, *i.e.*, the royalties' scheme set forth in the FHL. The Province filed a motion for lack of jurisdiction of the Supreme Court, and argued that the facts supporting the Claims related to local matters of provincial jurisdiction, beyond the original jurisdiction of this Supreme Court.

On February 29, 2024, in re "*Total Austral S.A. Sucursal Argentina v. Neuquén, Provincia del s/ acción declarativa de inconstitucionalidad*" and "*Capex S.A. y otros c/ Neuquén, Provincia del s/ acción declarativa de inconstitucionalidad*", the Federal Supreme Court rejected the motion of lack of jurisdiction filed by the Province of Neuquén, and confirmed its original jurisdiction to intervene in said cases.

The Federal Supreme Court concluded that the cases do not involve exclusively provincial law issues, since they require interpreting whether the Decree 488 violates the regulations regarding royalties established in the FHL. The Federal Supreme Court confirmed once again its position on this issue, and affirmed that:

"the federal issue is exclusive, if the core of the claim requires interpreting whether the provisions of Article 1 of Executive Decree 488/2020 violate the federal norms that regulate the hydrocarbons regime. This solution is not altered by the enactment of Law 26,197, since its provisions cannot be deemed to modify the jurisdiction of the Court regarding the federal nature of the subject matter of the claim, especially when its article 2° maintains the responsibility for the design of the energy policy in the hands of the National Executive Power."

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CATAMARCA SUPREME COURT STAYS AUTHORIZATIONS OF NEW LITHIUM PROJECTS IN THE SALAR DEL HOMBRE MUERTO

In a ruling dated March 13, 2024, in re "GUITIAN, Román E. c/ PODER EJECUTIVO NACIONAL Y OTRO s/ Acción de Amparo Ambiental", the Supreme Court of the Province of Catamarca (the "**Catamarca Supreme Court**") granted an interim measure requested by a member of a native community and stayed all new lithium developments in the "Salar del Hombre Muerto".

Román E. Guitian, representing the Atacameños of the Altiplano Native Community (Comunidad Originaria Atacameños del Altiplano) (the "**Petitioner"**) had sought the annulment of the approvals granted to mining projects in the Salar del Hombre Muerto region, until a cumulative and integral Environmental Impact Assessment ("**EIA**") was carried out, giving due participation to the mentioned native community.

By majority, the Catamarca Supreme Court granted the interim relief requested by the Petitioner, affirming that the General Environmental Law N° 25,675 enshrines the precautionary principle in environmental matters, pursuant to which when there is a risk of serious or irreversible damage, the absence of information or scientific certainty may not be used as reason to delay adoption of specific measures.

Furthermore, the Catamarca Supreme Court emphasized the need to protect the rights of native communities, that mining for lithium in the area had taken place since 1997 and that environmental damage has already arisen.

The key contention raised by the Plaintiff that the Catamarca Supreme Court took into consideration was that, although individual EIAs were carried out for each project, no cumulative EIA was ever performed to estimate the impact that mining had had in the region as a whole. The Plaintiff made specific reference to the overlapping of mining and water concessions granted over the same areas, with no prior cumulative studies.

The Catamarca Supreme Court also referred to the constitutional duty to protect the environment, and certain precedents from the Inter-American Court of Human Rights which showed that the responsibility for EIA was enhanced in case projects affected native communities.

Thus, the Catamarca Supreme Court's ruling:

(i) ordered the provincial Ministry of Mining to carry out a cumulative and integral EIA on the lithium mining activities over the Los Patos River basin, specifically the landscape, fauna and flora, climate and the environment in general, as well as the living conditions of the site's inhabitants and the native community, granting information and allowing participation of the native community Atacameños del Altiplano; and

(ii) ordered the provincial Ministries of Mining and Water, Energy and Environment to stay the granting of all new permits, authorizations or environmental impact statements on projects or activities within the site until the cumulative EIA is completed.

It is important to note that projects currently in construction or in production are not affected by this ruling.

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INSIGHTS ON ARGENTINE ENERGY INDUSTRY

FEDERAL OFFSHORE EXPLORATION PERMITS STATUS UPDATE

1. PERMITS AWARDED IN THE OFFSHORE ROUND

In 2019, several offshore hydrocarbons permits were granted withing the framework of the International Offshore Bidding Round N° 1, called by the FSE by means of Resolution N° 65/2018 (the "**Offshore Round**"). The blocks tendered in the Offshore Round were located in the Austral, Malvinas and the northern portion of the Argentina Basin, covering around 200,000 km2.

By means of Resolution FSE N° 276/2019, the FSE awarded 18 offshore exploration permits (the "**Offshore Permits**") as detailed below:

RESOLUTION 65/2018 - OFFSHORE ROUND - EXPLORATION PERMITS AND TITLE HOLDERS

BLOCK	RESOLUTION GRANTING THE LICENCE	TITLE HOLDERS	TOTAL WORKING UNITS OFFERED BY BIDDERS	TOTAL OFFEREED	
MLO_113	648/2019	EXXONMOBIL ARGENTINA OFFSHORE INVESTMENTS BV - QATAR PETROLEUM INTERNATIONAL LIMITED	6.020	USD	30.100.000
MLO_114	604/2019	TULLOW OIL PLC, PLUSPETROL S.A. - WINTERSHALL ENERGÍA S.A.	21.194	USD	105.970.000
MLO_117	673/2019	EXXONMOBIL ARGENTINA OFFSHORE INVESTMENTS BV - QATAR PETROLEUM INTERNATIONAL LIMITED	6.895	USD	34.475.000
MLO_118	657/2019	EXXONMOBIL ARGENTINA OFFSHORE INVESTMENTS BV - QATAR PETROLEUM INTERNATIONAL LIMITED	5.990	USD	29.950.000
MLO_119	603/2019	TULLOW OIL PLC - PLUSPETROL S.A. - WINTERSHALL ENERGÍA S.A.	16.489	USD	82.445.000
MLO_121	694/2019	EQUINOR ARGENTINA AS	13.239	USD	66.195.000
MLO_122	598/2019	TULLOW OIL PLC	8.732	USD	43.660.000
MLO_123	695/2019	TOTAL AUSTRAL S.A. EQUINOR ARGENTINA AS - YPF S.A.	8.893	USD	44.465.000
MLO_124	645/2019	ENI ARGENTINA EXPLORACIÓN Y EXPLOTACIÓN S.A., MITSUI & CO. LTD -TECPETROL S.A.	12.521	USD	67.605.000
CAN_102	703/2019	YPF S.A. - EQUINOR ARGENTINA AS	4.765	USD	23.825.000
CAN_107	524/2019	SHELL ARGENTINA S.A. - QATAR PETROLEUM INTERNATIONAL LIMITED	1.698	USD	8.490.000
CAN_108	691/2019	EQUINOR ARGENTINA AS	3.234	USD	16.170.000
CAN_109	525/2019	SHELL ARGENTINA S.A. - QATAR PETROLEUM INTERNATIONAL LIMITED	11.825	USD	59.125.000
CAN_111	597/2019	TOTAL AUSTRAL S.A. - BP EXPLORATION OPERATING COMPAN- LIMITED	3.476	USD	17.380.000
CAN_113	600/2019	TOTAL AUSTRAL S.A. - BP EXPLORATION OPERATING COMPAN- LIMITED	1.736	USD	8.680.000
CAN_114	702/2019	EQUINOR ARGENTINA AS e - YPF S.A.	9.484	USD	47.420.000
AUS_105	696/2019	EQUINOR ARGENTINA AS	3.040	USD	15.200.000
AUS_106	676/2019	EQUINOR ARGENTINA AS	4.574	USD	22.870.000
Investment Comittment				**USD**	**724.025.000**

The Basic Term of the Offshore Permits (the "**Basic Term**") originally included: (i) a first exploratory period of four years (the "**First Period**"); (ii) a second exploratory period of another three or four years, depending on the block (the "Second Period""); and (ii) the possibility of requesting an extension of four additional years, provided the permit holder met the obligations assumed in the Basic Term, and subject to the relinquishment of 50% of the block acreage.

The investment commitments undertaken for each of the Offshore Permits were as follows:

(i) First Period: permit holders must fulfill the Working Units committed in their bids, in accordance with the work plan contained therein (the "**Work Plan**"). The Work Plans committed by all permit holders included mainly 2D and 3D seismic acquisition, among other surface recognition activities.

(ii) Second Period: upon deciding to move on to the Second Period, the permit holders must submit an exploration program containing an irrevocable commitment to drill at least one exploration well, which must comply with the minimum depths required in the Offshore Round. The permit holders may also request an authorization from the Secretariat to postpone the drilling of the exploration well up to the first two years of the Extension Period, if they prove the need to conduct further preparatory exploration works. If the permit holders drill an exploration well during the First Period, which complies with the minimum depth required by the Offshore Round for each block, and decide to enter into the Second Period, they will not be required to drill an additional exploration well during the Second Period.

(iii) Extension Period: the permit holders may request an Extension Period, if they have complied with their investment commitments undertaken for the Basic Period, and subject to the filing of an exploration program containing at least the irrevocable commitment to drill a second exploration well that complies with the minimum depths required by the Offshore Round.

2. EXTENSION OF FIRST PERIOD DUE TO THE COVID PANDEMIC AND DELAYS IN ENVIRONMENTAL IMPACT ASSESSMENT

After the awarding of the Offshore Permits, the FSE and the former Ministry of Environment and Sustainable Development (now replaced by the Undersecretariat of Environment, "**UE**") issued Resolution N° 3/2019 ("**Resolution 3**") which establishes that, prior to commencing the type of projects listed therein, the permit holders must comply with the Environmental Impact Assessment Procedure (the "**EIA Procedure**") and obtain an Environmental Impact Statement ("**EIS**").

The EIA Procedure requires the permit holders to file an environmental impact study that shall be reviewed by the relevant public authorities. Resolution 3 established terms between each of the milestones pointed therein. If the terms provided for in Resolution 3 are met by both by the authorities and the permit holders, the entire EIA Procedure should last around one year. In practice, the EIA Procedures delayed two or three years until the UE issued the corresponding EIS.

The delay in the granting of the corresponding EIS, together with the COVID-19 Pandemic, affected all offshore permit holders and led them to request the FSE to suspend the terms of the First Period.

On this basis, the Federal Executive issued Decree N° 870/2021 ("**Decree 870**") published in the Official Gazette on December 24, 2021. Decree 870 mentions the various problems faced by Offshore Permit holders during the First Period and delegates to the FSE the authority to suspend the term of the First Period of the Offshore Permits for up to two (2) years.

The FSE then issued Note N° NO-2022-01281944-APN-DNEYP#MEC, whereby it informed the permit holders of the provisions of Decree 870 and established the guidelines to request the suspension of the first exploration period of the Offshore Permits.

The Offshore Permit holders that filed notes requesting the extension and met the requirements established in Decree 870 and the guidelines given by the FSE, obtained the extensions of their permits by means of resolutions issued by the FSE. For instance, by means of Resolutions FSE N° 244/2022, 241/2022 and 250/2022, the FSE extended the terms of the First Period of Blocks MLO_121, CAN_108 and CAN_114 respectively.

3. STATUS OF COMPLIANCE WITH INVESTMENTS COMMITMENT

As mentioned, the investment commitments undertaken by the different permit holders for the First Period consist mainly in 2D and 3D seismic acquisition, and the processing of the data obtained therefrom. In order to comply with such commitments, the permit holders may purchase seismic data acquired by multiclient companies, or carry out seismic activities themselves.

Prior to the commencement of any seismic activity, the permit holders must obtain the EIS in accordance with the Resolution 3.

Since the granting of the Offshore Permits in 2019, only four projects obtained the EIS to perform the following activities:

(i) Resolution SESD N° 7/2022: granted the EIS for the project called "*Offshore 2D-3D-4D Seismic Acquisition in Block CAN 108, CAN 114, CAN 100*" consisting of seismic surveys in blocks CAN_108, CAN_100 and CAN_114, located in the North Argentine Basin of the Argentine Continental Shelf.

(ii) Resolution SESD N° 19/2022: granted the EIS for the project called "*Drilling of an exploratory well, called "Argerich-1" Argentine Northern Basin (Block CAN_100)*", consisting of the exploration of block CAN_100 in search of hydrocarbons through the drilling of an exploratory oil well.

(iii) Resolution SESD N° 224/2023: granted the EIS for the project called "*3D Seismic Acquisition, Blocks AUS 105, 106 and MLO 121*", consisting of seismic surveys in blocks AUS 105, 106 and MLO 121, located in the Argentine Southern Basin of the Argentine Continental Shelf.

(iv) Resolution SESD N° 10/2023: granted the EIS for the project called "*Offshore 3D Seismic Acquisitions in Block CAN_102, Argentina*", consisting of seismic surveys in block CAN_102.

Pursuant to the information available in the website of the Undersecretariat of Environment, three other projects related to the Offshore Round are in the process of obtaining an EIS for the performance of seismic surveys in blocks MLO_122, CAN_107, CAN_109, MLO_123 and MLO_124.

At the end of the First Period, permit holders shall have to evidence before the FSE that they have fulfilled their investment commitments for the First Period of the Offshore Permits, or they will be exposed to the risk of paying any unfulfilled investments to the FSE. The delay in the issuance of EIS described above may affect the permit holders' ability to comply with their investment commitments under the Offshore Permits and, on a case-by-case basis, may entitle such permit holders to invoke force majeure under Section 20 of the FHL.

4. RELINQUISHMENT OF CERTAIN BLOCKS

On another note, certain permit holders that complied with their investment commitments for the First Period by purchasing seismic data from multiclient seismic companies (which had obtained the relevant environmental permits before the issuance of Resolution 3), have decided not to move on to the Second Period, and to relinquish their Offshore Permits.

By means of Resolutions FSE N° 27 and 28 published in the Official Gazette on March 15, 2024, and Resolution FSE N° 32 published in the Official Gazette on March 18, 2024, the FSE declared the termination of the offshore exploration permits granted over blocks MLO_113, MLO_117 and MLO_118 to Exxonmobil Exploration and Production Offshore Argentina SRL and QP Oil and Gas SAU, in the terms of Section 81(b) of the FHL.

Pursuant to the recitals of the abovementioned resolutions, the permit holders had informed the FSE of their decision not to continue to the second period of the Permits, and to relinquish their rights over the Permits. The resolutions also ordered the relinquishment of the Blocks to the Federal Government.

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