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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 (Ente Nacional Regulador de la Electricidad).

"**ENARGAS**" means the National Gas Regulatory Authority (Ente Nacional Regulador de Gas).

"**FHL**" means the Federal Hydrocarbons Law No. 17,319, as amended by Laws No. 26,197 and 27,007.

"**FSE**" means the Federal Secretariat of Energy.

"**MEM**" means the Wholesale Electricity Market, for its Spanish accronim of Mercado Eléctrico Mayorista.

"**PIST**" means the Point of Entry into the Transmission System, for its acronym in Spanish.

"**Supreme Court**" means the Argentine Federal Supreme Court.

GENERAL REGULATORY NEWS

PROVINCE OF NEUQUÉN: NEW WATER ROYALTY AND FEE FOR USE OF PUBLIC FRESH WATER FOR INDUSTRIAL PURPOSES

The Undersecretariat of Water Resources of the Province of Neuquén approves new values for the Water Royalty and the fee for use of public fresh water for industrial purposes, while Bill of Law N° 16,401 regarding a maximum royalty to be paid for water used in connection with electricity generation remains under discussion by the Provincial Congress.

By means of Disposition N° 124/24, published in the Official Gazette of the Province of Neuquén on April 30, 2024, the provincial Undersecretariat of Water Resources approved the new values of the coefficient applicable to the polynomic formula set forth by Disposition N° 9/2023 for the calculation of: (i) the Water Royalty; and (ii) the fee for use of public fresh water for industrial purposes.

Thus, as from May 1, 2024, the coefficient applicable to the polynomic formula for the calculation of the Water Royalty shall be AR$ 98.95 (approximately US$ 0.11)[1] per cubic meter of extracted water, while the coefficient applicable to the polynomic formula for the calculation of the fee for use of public water for industrial purposes shall be AR$ 467.74 (approximately US$ 0.53) per cubic meter of extracted water.

Comparatively, this modification represents a 49,40% increase compared to the values set forth by the former Disposition N° 09/2023 of the Undersecretariat of Water Resources, enacted one year ago, and is in line with the increase in the prices of Grade 3 Diesel, which is used as benchmark for setting the new amounts.

In the meanwhile, Bill of Law N° 16,401, which intends to set forth a maximum royalty to be paid for water used in connection with electricity generation, remains under discussion in the Provincial Congress. During May 2024, the Provincial Congress amended Article 2 of the Bill Law N° 16,401, establishing a maximum fixed amount for the fee applicable to the use of public water for electricity generation at US$ 0.50 per cubic meter of water used for electricity generation.

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[1] *All conversions consider the official sellers exchange rate published by Banco de la Nación Argentina on June 6, 2024, of USD 1 = ARS 878.*

HYDROCARBONS

POSTPONEMENT OF ADJUSTMENTS TO LIQUID FUELS TAX AND CARBON DIOXIDE TAX

Federal Decree N° 375/2024 amended subsection c) of Article 1 of Decree N° 107/2024, postponing until June 1, 2024, the increases to the Liquid Fuels Tax and Carbon Dioxide Tax corresponding to the fourth trimester of 2023, and Federal Decree N° 466/2024 subsequently deferred the effects of these increases and set forth a schedule therefor.

Law N° 23,966 and other applicable regulations, govern the tax applicable to liquid fuels and carbon dioxide (the "**Liquid Fuels Tax**"), and establish a differential fixed amount of Liquid Fuels Tax for diesel oil, when it is destined for consumption in the area of influence made up by the Provinces of Neuquén, La Pampa, Río Negro, Chubut, Santa Cruz and Tierra Del Fuego, the District of Patagones of the Province of Buenos Aires and the Department of Malargüe of the Province of Mendoza.

According to applicable regulations, these fixed amounts must be updated per quarter on the basis of the variations of the Consumer Price Index (CPI), considering the accumulated variations of such index since January 2018. However, these updates were subsequently delayed by different regulations.

In February 2024, Federal Decree N° 107/2024 ("**Decree 107**") established a gradual schedule to defer the increases of the Liquid Fuels Tax corresponding to each trimester of 2023. The purpose of Decree 107 was to initiate a process of regularization of the increases in the Liquid Fuels Tax that were pending according to applicable regulations, and to offset the delay in fuel prices.

By means of Federal Decree N° 375/2024 ("**Decree 375**"), dated May 2, 2024, the Federal Executive postponed until June 1, 2024, the increases corresponding to the fourth trimester of 2023, which would have originally taken place from May 1, 2024, according to Decree 107. The purpose of this measure was to stimulate economic growth while ensuring a sustainable fiscal path.

Later, given that from June 1, 2024, the increases corresponding to the first quarter of 2024 would also take effect, Federal Decree N° 466/2024 (dated May 28, 2024, "**Decree 466**"), partially deferred the effects of the increases applicable from June 1, 2024. Decree 466 set forth a schedule for such increases, distinguishing taxable events occurring between June 1 and June 30, 2024, and taxable events occurring from July 1, 2024.

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APPROVAL OF NEW REFERENCE VALUES OF SURFACE FEES APPLICABLE TO THE USE OF LAND AFFECTED BY HYDROCARBON ACTIVITIES

The reference surface fees payable to surface owners corresponding to damages, and control and surveillance expenditures inherent to hydrocarbon activities was increased as from August 1, 2023.

Pursuant to the LFH, holders of exploration permits or exploitation concessions granted under the FHL have condemnation rights to use the lands comprised in their blocks or otherwise allocated to the hydrocarbon activities to which they are entitled, provided they pay a compensation to the corresponding surface owner. The opposition of a surface owner to the occupation or use of its land, or its disagreement with the offered compensation, may not be deemed sufficient grounds to suspend the authorized works, provided that the title holder has offered an adequate guarantee for the compensation of contingent damages (Section 66 of the FHL).

Section 100 further establishes that surface owners are entitled to initiate judicial actions, in which case they must prove the actual damages suffered or, alternatively, agree with the relevant title holder to adhere to the reference liquidated damages or surface fees (the "**Surface Fees**") determined by the Federal Executive, in which case no evidence of the actual suffered damages is required. These Surface Fees are updated from time to time, and vary according to the location of the affected land and the economic activities carried out therein.

By means of Joint Resolutions N° 1/2024 and N° 2/2024 (the "**Resolutions**"), dated May 3, 2024, the FSE and the Federal Secretariat of Bioeconomy approved the new values of the Surface Fees payable to surface owners of properties affected by hydrocarbon activities, corresponding to easements, damages, and expenses for control and surveillance.

In particular:
(i)Resolution N° 1/2024 refers to hydrocarbon activities carried out in the dryland areas of "Golfo San Jorge" and Austral" basins in the provinces of Chubut, Santa Cruz and Tierra del Fuego, and sets an increase in Surface Fees in the following percentages: 117,62% for Zone "A", and 104,72% for Zones "B" and "C". Regarding control and surveillance costs inherent to hydrocarbon activities, increases were provided in the following percentages: 77,9% for Zone "A", 73,7% for Zone "B" and 76,8% for Zone "C"; and

(ii)Resolution N° 2/2024 refers to hydrocarbon activities carried out in the dryland areas and irrigated areas of "Cuyana" and "Neuquina" basins, in the provinces of Neuquén, Mendoza, Río Negro, La Pampa, San Juan and San Luis, and sets forth an increase in the Surface Fees in the following percentages: 117.62% for Zone "A", 104,72% for Zone "B", 44,96% for Zone "C", and 44,38% for Zone "D". These percentages refer only to dryland areas, whereas values for irrigated areas are set annually based on the variation in the costs of crop production. Regarding control and surveillance costs inherent to hydrocarbon activities, increases were given in the following percentages: 75,1% for Zone "A", 74,2% for Zone "B", 68,2% for Zone "C", 69,5% for Zone "D", and 75,1% for irrigated areas.

These updated Surface Fees shall apply as form August 1, 2023 (i.e., retroactively), considering the request for such update filed by the "Argentine Association of Owners and Surface Owners Affected by Hydrocarbon, Mining, and Electrical Exploitation" (AASEP according to its acronym in Spanish), was filed on July 1, 2023.

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NEW REGULATIONS ON CRUDE OIL QUALITY ADJUSTMENTS FOR THE CALCULATION OF ROYALTIES

The FSE introduces new formulas for quality adjustments on the calculation of crude oil royalties in line with latest transportation and measurement regulations.

By means of Resolution FSE N° 68/2024 ("**Resolution 68**"), dated May 10, 2024, the FSE introduced changes to the procedure for the calculation of royalties for liquid hydrocarbons, regulated by Resolution FSE N° 435/04 ("**Resolution 435**"), and modified the format for submission of the corresponding royalties' affidavits.

Resolution 68 aims to update the regulation of royalties' valuation in line with recent modifications of the legal framework of hydrocarbon transportation and measurement, which established mechanisms for quality volumetric adjustments through a "quality bank" and regulated the "non-physical transportation of liquid hydrocarbons", governed by Resolution FSE N° 35/2021 and Decree N° 540/2021, respectively.

Resolution 68 incorporates specific quality adjustment formulas applicable to royalty calculations. Different

formulas apply according to whether hydrocarbons are transported using a quality bank system or not, and it distinguishes cases involving transportation that is and is not subject to the quality bank procedures.

Furthermore, Resolution 68 explicitly states that when liquid hydrocarbons enter a transportation concession to meet a "non-physical transportation need", as defined by Decree N° 540/2021, the freight cost can be deducted to the current tariff approved by the enforcement authority based on the physical transport of the liquid hydrocarbon volumes, and clarifies that no other costs or services apart from such tariff values shall be deductible.

Lastly, Resolution 68 includes new forms as an annex that must be used for the different types of royalties' affidavits.

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BIOFUELS: INCREASE IN MANDATORY PURCHASE PRICES

The FSE sets forth new minimum purchase prices for biofuels for mandatory blending with diesel oil and gasoline, reflecting the latest economic conditions.

Federal Law N° 27,640 (the "**Biofuels Law**") establishes the regulatory framework applicable to processing, storage, marketing and blending of biofuels, which include bioethanol and biodiesel produced in plants installed in the Argentine Republic 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 the Argentine territory: (i) in the case of diesel oil, a minimum of five percent (5%) of biodiesel; and (ii) in the case of gasoline (nafta), a minimum of twelve percent (12%) of bioethanol.

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

On May 13, 2024, the FSE increased the minimum price for the acquisition of biofuels, considering the national macroeconomic context:

(i) by means of Resolution FSE N° 71/2024, it set the minimum purchase price of biodiesel destined for mandatory blending with diesel at ARS 938,540 (approximately USD 1,069) per ton, which represents an increase of 1.61% compared to the values applicable in December 2023;

(ii) by means of Resolution FSE N° 72/2024, it set the minimum purchase price of bioethanol made from corn, intended for mandatory blending with gasoline, at ARS 570 (approximately USD 0,65) per liter, which represents an increase of 6.1% compared to the values applicable in December 2023; and

(iii) by means of Resolution FSE N° 73/2024, it set the minimum purchase price of bioethanol made from sugarcane, intended for mandatory blending with gasoline, at ARS 622 (approximately USD 0,71) per liter, which represents an increase of 6,5% compared to the values applicable in December 2023.

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ENARGAS MODIFIES RULES APPLICABLE TO COMPENSATION PAYABLE TO USERS FOR THE FUNDING OF NETWORK EXPANSIONS

The ENARGAS modifies Resolution ENARGAS N° I-910/09 to update the regulatory framework for gas distribution network expansions. This amendment allows service providers to calculate user compensations based on the Fixed Charge or the traditional cubic meters of gas method, in line with temporary tariff structures introduced in April 2024.

By means Resolution ENARGAS N° 208/2024 (the "**Resolution 208**"), dated May 14, 2024, the ENARGAS, introduced certain amendments to Resolution ENARGAS N° I-910/09 (the "**Resolution 910**").

Resolution 910 establishes the procedures for the approval of significant projects for network expansions (*Obras de*

Magnitud) under Section 16 of Federal Gas Law N° 24,076, and outlines the methodology for calculating the project's business value, the economic contributions required from service providers, and the compensations payable to users who financially support these expansions (the "**Compensation**").

Resolution 208 amends Sections 10, 3 and 4 of Annex V of Resolution 910, and incorporates the possibility for service providers to calculate Compensation based on the Fixed Charge (*Cargo Fijo*) for each user category, considering the temporary tariff structures introduced in April 2024 under the emergency framework declared by Decree N° 55/2023.

Given the transitory nature of the new tariff structures, the amendments to 910 set forth by Resolution 208 shall also be temporary, and shall remain in effect until a comprehensive tariff review is completed, as mandated by Section 42 of Federal Gas Law N° 24,076.

The amendments introduced by Resolution 208 seek to ensure that the Compensation to users, who financially contribute to the distribution system expansions, are calculated using either the Fixed Charge or the previous method based on cubic meters of gas. This provides flexibility and ensures that the compensation remains fair and practical under the new tariff framework.

Resolution 208 aims, by incorporating the Fixed Charge as an alternative method for calculating compensations, to ensure that the system remains adaptable and equitable, even under temporary tariff structures.

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ENARGAS MAINTAINS THE TRANSITION TARIFFS FOR NATURAL GAS TRANSPORTATION AND DISTRIBUTION SERVICES

ENARGAS decides to defer the adjustment of the Transition Tariff Scheme and the Tariffs and Charges for Services in force since April 3, 2024, applicable to natural gas transportation and distribution public services.

Within the framework established by Decree N° 55/2023 declaring the emergency in inter alia the energy sector, during April 2024, the ENARGAS approved new transitional tariff schemes for natural gas transportation and distribution service providers, and provided a monthly tariff adjustment formula to be applied from May 2024 onwards (a "**Tariff Update**").

By means of Resolution ENARGAS N° 224/2024, dated May 8, 2024, the ENARGAS notified and informed the natural gas transportation and distribution public service providers that the Tariff Update foreseen for the month of May 2024 would not be carried out, and therefore, that tariff schemes in force as from April 3, 2024, would remain in force. In other words, it postponed in May the effective application of the Tariff Updated and the increases in the PEST for electricity and the PIST for natural gas.

According to the recitals of Resolution ENARGAS N° 224/2024, this measure aims to consolidate the process of disinflation carried out by the Federal Government.

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POWER AND ELECTRICITY

SCHEME FOR VOLUNTARY RESTRUCTURING OF DEBTS ARISING FROM TRANSACTIONS IN THE MEM ACCRUED BETWEEN DECEMBER 2023 AND MARCH 2024

The FSE approves a scheme for the settlement of transactions in the MEM between December 2023 and March 2024, which includes a voluntary restructuring of outstanding payments owed by CAMMESA to energy producers, generators, transporters and gas producers, payable inter alia by means of a 14-year bond issued by the Federal Government.

By means of Resolution FSE N° 58/24, as amended and supplemented by Resolutions FSE N° 66/24 and 77/24 (jointly, the "**Resolutions**"), the FSE approved a scheme for the settlement of transactions in the MEM for outstanding payments accrued between December 2023 and March 2024, owed by CAMMESA to energy producers, generators, transporters and gas producers, and owed by MEM users to CAMMESA.

According to the recitals of the Resolutions, these are part of the measures adopted by the current administration to cut energy subsidies in order to revert the government budget deficit, and restructure current debts in the MEM to preserve the continuity of the electric energy public service.

As explained in the Resolutions, according to the MEM's "Procedures for Operation Scheduling, Load Dispatch and Price Calculation", differences arising between the amounts payable by debtors (buyers) and those collected by creditors (sellers) in the MEM must be absorbed by a price stabilization system, based on a transitory deposit fund called Stabilization Fund. In months in which the application of the seasonal price system results in a negative balance with respect to those of the Spot

Market, the Stabilization Fund provides the financial resources to complete the amount payable to the sellers.

However, for the last twenty years the authorities subsidized energy prices payable by the users of the MEM and fixed values that did not contemplate the real costs of supplying the system. This resulted in a permanent deficit of the Stabilization Fund, which was covered by funds provided by the Federal Government.

The current administration's position is that maintaining generalized and increasing subsidies through contributions of the Federal Government is incompatible with the financial situation of the country, and that the Federal Government is unable to continue making such contributions.

In this context, the Resolutions seek to start reorganizing the electricity market, with the aim of ensuring that outstanding payments are made for current consumption in the MEM, in order to guarantee continuity of the electric energy public service.

Thus, the Resolutions approve a **transitory, specific and exceptional regime** that aims to defer the payments corresponding to the economic transactions of December 2023 and January 2024, and at the same time, order the payment chain of the current economic transactions.

By means of the Resolutions, CAMMESA was instructed to:

(i) determine and identify the amounts owed to each of the MEM creditors and gas producers, corresponding to December 2023, and January and February of 2024, and enter into individual agreements with such creditors, providing that any outstanding amounts be paid:

a. for debts corresponding to December 2023 and January 2024, by delivery of public bonds issued by the Federal Government, called "Argentine Republic's Bonds in United States Dollars – Step Up 2038" (*BONOS DE LA REPÚBLICA ARGENTINA EN DÓLARES ESTADOUNIDENSES STEP UP 2038*); and

b. for debts corresponding to February 2024, by means of funds available in CAMMESA's accounts arising from collection of amounts owed to CAMMESA and amounts transferred by the Federal Government for the Stabilization Fund; and

(ii) determine and identify the amounts owed by each of the MEM's debtors, corresponding to electric energy invoices due on February, March and April of 2024, and enter into individual agreements with such debtors, providing that the corresponding amounts be paid:

a. for invoices due on February and March 2024, by means of payment plans agreed with each debtor at market interest rate of BNA and in a term of 48 months;

b. for invoices due in April 2024, within 30 days as from publication of the Resolutions; and

c. for invoices due as from May 2024, in the terms set forth by current applicable regulations.

Creditors interested in entering into the payment scheme had to determine the outstanding debt for the months of December 2023 and January, February and March 2024 together with CAMMESA, within 5 working days as of the entry into force of Resolution FSE N° 58/24. This term was extended by Resolution FSE N° 77/24. In case of any disagreements between MEM creditors or debtors and CAMMESA, the creditor or debtor shall defer the dispute to the dispute resolution mechanism which arises from its respective contract.

Resolution FSE N° 77/24 later clarified that the determination of the amounts corresponding to each MEM and gas producer creditor shall not include interest that these might claim for transactions corresponding to December 2023, and January and February 2024, which are due in February, March, and April 2024, respectively. Lastly, Resolution FSE N° 77/24 also specified that payments made by CAMMESA that do not originate from the individual agreements entered into with MEM creditors pursuant to the Resolutions cannot be allocated to the settlement of these transactions.

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APPROVAL OF TERMS AND CONDITIONS FOR EDENOR AND EDESUR'S ENERGY DISTRIBUTION TARIFFS REVIEW

The ENRE approved the "Program for the Review of Electricity Distribution Tariffs in the year 2024" applicable to EDENOR S.A. and EDESUR S.A.

On December 18, 2023, the Federal Executive issued Decree N° 55/2023, by means of which it declared the emergency of the Federal Energy Sector until December 31, 2024, and ordered the commencement of the procedure set forth in Section 45 of Federal Electricity Law N° 24,065, for the review of the tariffs scheme for the distribution and transmission of electricity public service under federal jurisdiction (the "**Tariff Review**").

By means of Resolution ENRE N° 270/2024 ("**Resolution 270**"), dated May 9, 2024, the ENRE approved the "Program for the Review of Electricity Distribution Tariffs in the year 2024" (the "**Program**"), which establishes the procedure for the implementation of the Tariff Review corresponding to the distributors EDENOR S.A and EDESUR S.A. (the "**Distributors**").

The Program provides the basic guidelines applicable to the Calculation of the Cost of Distribution (CPD) and the determination of tariffs applicable to end users of the electricity public service.

Specifically, the Program includes the calculation of operating and maintenance costs of the electricity network; the design of mechanisms for updating remuneration; the calculation of the rate of return; the preparation of an investment plan; and the application of a system of penalties and rewards.

Moreover, the Program mentions that the tariff schedules proposed by the Distributors must consider the following:

- The tariff will be structured in a way that reflects the economic cost of the resources involved in the distribution and marketing of electricity.

- The basic components of the tariff shall be those set forth in Section 40 of Federal Electricity Law N° 24,065.

- A system of penalties shall be applied in case of non-compliance with the minimum requirements regarding technical and commercial service quality, and product quality, which may be progressively increased during the tariff period.

Pursuant to Section 17 of Resolution 89, the Authorization may be signed indistinctly by the Undersecretary of Mining Development, the National Director of Mining Investments or the Director of Control of Mining Investments, or any successor thereof.

On April 23, 2024, the Secretariat of Mining issued Resolution SM No. 6/2024, expanding the list of public officials in charge of issuing the Authorizations, in order to accelerate the approval process.

As a result, Section 17 of Resolution 89 now allows for the Authorization to be issued indistinctly by the Undersecretary of Mining Development, the National Director of Mining Investment, the Director of Mining Investment or the Director of Analysis and Development of Mining Investment Projects, or any successor thereof.

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THIRD INSTALLMENT OF THE SUPERVISION AND CONTROL FEE FOR 2024

The ENRE fixes the different amounts and deadlines corresponding to the third installment of the Supervision and Control Fee for the year 2024.

By means of Resolution ENRE N° 285/2024, dated May 20, 2024, the ENRE determined in its Annex I the amounts for the payment of the third installment for the Supervision and Control Fee payable by generation, transmission, and distribution agents of the MEM, for the year 2024, and established the deadline for such payment on June 18, 2024.

The payment of the next installments shall be adjusted to the definitive calculation of the corresponding rates for each of the MEM agents and shall be paid on the deadlines to be determined by the ENRE in due time.

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FSE RESTRUCTURES ENERGY SUBSIDIES NATIONWIDE AND SETS A TRANSITION PERIOD UNTIL NOVEMBER 30, 2024

The FSE restructured the energy subsidies scheme, eliminating limits on rate increases and changing the segmentation criteria, with the aim of having users pay for the actual cost of energy. It established a five-month transition period to ease the implementation of the new system.

By means of Decree N° 465/2024 ("**Decree 456**"), published on May 27, 2024, the FSE restructured the energy subsidies scheme nationwide and set a transition period from June 1 to November 30, for the purposes of adapting the system and the consumers to the new mechanism.

As explained by the recitals of Decree 465, the Federal Administration brought attention to the fact that energy has long been considered an essential public service, and that although until 2002 energy prices were freely determined by the market, as from that year the Federal Government had intervened in market prices through rate freezing or by reducing increases in applicable rates. This led to a lack of investment by concessionaries and energy being wasted, given that it was being sold at an artificially low price, and without verifying whether its beneficiaries actually needed the corresponding subsidies. Furthermore, several different subsidies schemes had been put in place throughout the years, requiring in average over the last 20 years yearly transfers of over USD 5 billion for their maintenance.

Thus, Decree 465 approves a new subsidies scheme, which seeks to target subsidies in order to ensure that only those who truly need them receive them. The Federal Administration recognized the need for a transitional regime, given that more than 10 million households receive at least one of the different subsidies currently in place.

The new regime aims at (i) having users pay the real cost of energy, (ii) promoting energy efficiency, and (iii) ensuring residential users the continuous supply of energy.

Decree 465 provides that, effective immediately as of its publication on the Official Gazette, the cap on rate increases shall be eliminated, the criteria for inclusion in each of the socioeconomic categories may be revised, and beneficiaries may be excluded from the regime as their situation improves.

The transition period shall last until November 30, 2024, and may be extended for up to six more months by the FSE. During said period, the FSE may include corrections or changes to ease the transition into the new regime. Furthermore, it is specifically empowered to:

A. Set maximum levels of consumption of subsidized energy, after which the energy shall be charged at its market price;

B. Establish discounts on the energy bill for certain income groups;

C. Periodically revise the cap of consumption of subsidized energy, in view of the more efficient consumption habits that should be gradually adopted by the population;

D. Modify the segmentation criteria of households;

E. Invite residential energy users to enter into the new Registry of Access to Subsidized Energy, and cross-check data across different national and local subsidies databases in order to keep an updated record and prevent double entries;

F. Determine the way of compensating the energy concessionaires for the lower income they shall receive from the sale of subsidized energy during the Transition Period.

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RECENT CASE LAW

NATURAL GAS TRANSPORTATION SERVICE: FEDERAL COURT OF APPEALS OVERTURNS JUDGMENT AGAINST METROGAS CHILE AND ACKNOWLEDGES TGN'S BREACH OF FIRM TRANSPORTATION CONTRACTS

Federal Court of Appeals revokes a first instance ruling against Metrogas Chile in relation to TGN's claim for breach of natural gas transportation agreement, in the context of the suspension of exports and re-routings of natural gas transportation services in force in Argentina as from 2004.

Transportadora de Gas del Norte S.A. ("**TGN**") filed two lawsuits against Chilean company Metrogas S.A. ("**Metrogas**") in 2011 and 2015, respectively ("*Transportadora de Gas del Norte S.A. c/ Metrogas S.A. y otro S/cumplimiento de contrato – Docket N° 7026/2011, and Transportadora de Gas del Norte S.A. c/ Metrogas S.A. y otro S/daños y perjuicios – Docket N° 7311/2015*) (the "**TGN Claims**").

TGN's Claims derived from an alleged breach by Metrogas of the transportation agreements entered into by the parties (the "**Transportation Agreements**"), between 1997 and 2002, whereby they had agreed that TGN would make certain transportation capacity available in its gas pipeline from Neuquén to Mendoza in favor of Metrogas on a firm basis, and ship the quantities nominated by Metrogas up to such capacity, in exchange for a firm tariff (the "**Tariff**"), for 25 years.

As from 2004, exports of natural gas in Argentina were suspended by a series of governmental measures. This also derived in the re-routing of the natural gas transportation public service intended for export, in order to supply the domestic market.

Since Metrogas had entered into the Transportation Agreements to use the transportation capacity for exporting natural gas (acting as natural gas distribution company in Chile), as a result of these governmental measures, in 2009 Metrogas stopped paying the Tariff and terminated the Transportation Agreements, alleging a breach of TGN's obligations. Metrogas claimed that TGN had not made available the entire contracted capacity or transported the amounts of natural gas nominated by Metrogas according to the Transportation Agreements.

TGN in turn claimed that, despite the suspension of natural gas exports and the re-routing of its transportation service, it was entitled to obtain the Tariff for making the agreed transportation capacity available to Metrogas, on the basis that they had agreed a ship-or-pay tariff and that Metrogas had assumed the risks of any production shortages. TGN rejected Metrogas' intended termination of the Transportation Agreements in 2009 and finally terminated the Transportation Agreements in 2015 due to Metrogas' alleged breach of contract.

TGN brought the TGN Claims seeking payment of unpaid invoices corresponding to the Tariff accrued until termination of the Transportation Agreements, and damages accrued after the termination of the Transportation Agreements (valued according to the income deriving from the Tariff not received by TGN as a result of Metrogas' alleged breach).

The First Instance Court rejected Metrogas' defenses, admitted the TGN Claims and ordered Metrogas to pay TGN for the unpaid invoices and damages claimed by the latter. Both parties filed an appeal against the First Instance ruling. TGN's appeal was related to the way in which the interest payable by Metrogas had been calculated. Metrogas requested the reversal of the decision, denying its contractual liability, and for the TGN Claims to be rejected in their entirety.

On May 7, 2024, the Federal Civil and Commercial Court of Appeal (the "**Court of Appeals**") **admitted Metrogas' appeal, revoked the first instance court decision, and found that Metrogas was not liable for breach of the Transportation Agreements.**

According to the Transportation Agreements, the Tariff was not payable when the transportation service was not available due to circumstances affecting TGN or a breach of contract by TGN. The Court of Appeals understood that TGN had not performed the Transportation Agreements and had failed to ship the volumes injected by producers to be delivered to Metrogas, as:

- although Metrogas had proven that it had bought natural gas from producers to be transported by TGN, TGN failed to receive and deliver such natural gas made available by producers in favor of Metrogas in the inlet of TGN's pipeline (i.e., there were substantial shortages of natural gas shipped, compared to the nominated quantities);

- TGN not only had to make the contracted capacity available to Metrogas, but actually ship the amounts nominated by Metrogas and delivered by producers, and had failed to comply with this obligation; and

- TGN was unable to prove the regulations by means of which it has shipped lower quantities than those requested by Metrogas according to the firm capacity contracted by it. TGN alleged it received verbal orders from federal authorities instructing the re-routing of its transportation capacity. These verbal orders were denied by witness statements of such authorities in the case.

In light of this, the Court of Appeals found that Metrogas had correctly terminated the Transportation Agreements in 2009, and that therefore it had not breached any obligation to pay the Tariff for services that had not been provided TGN. The Court of Appeals thus rejected the TGN Claims and overruled the first instance decision.

The Court of Appeals' ruling is not a definitive decision, since on May 21, 2024, TGN filed an appeal before the Supreme Court of Justice, which is still pending.

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INSIGHTS ON THE ARGENTINE ENERGY INDUSTRY

BRIEF COMMENT ON ENERGY TRANSITION STRATEGY IN ARGENTINA

The members of the United Nations Framework Convention on Climate Change (UNFCCC) adopted the Paris Agreement as a legally binding international climate change agreement at the Conference of the Parties N° 21 in Paris in 2015 (COP21) (the "**Paris Agreement**").

The Paris Agreement prescribes the obligation of the parties thereto to keep the global average temperature to well below 2°C above pre-industrial levels, and to purse efforts to limit this temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change. It also invites member countries to formulate and submit long-term low greenhouse gas emission ("**GHG**") development strategies by submitting their climate action plans, known as Nationally Determined Contributions ("**NDC**").

In this context, Argentina presented in 2020 and then updated in 2021 its NDC, emphasizing its commitment to reduce GHGs to 27.7% by 2030, compared to the business-as-usual scenario, and included energy transition as one of the implementation pillars, including the expansion of renewable energies, energy efficiency and the promotion of biofuels and low-emission technologies.

Following this line, by means of Resolutions FSE N° 517/2023 and N° 518/2023, the FSE approved the "National Energy Transition Plan to 2030" and the "Guidelines and Scenarios for the Energy Transition to 2050", whose main objectives are inclusion, dynamism, stability and development, federalism, energy self-sufficiency and sustainability, For the fulfilment of these goals, quantitative and qualitative targets were established.

The quantitative targets set forth by the abovementioned guidelines are:

- Not to exceed the net emission of 349 million tCO2e for the whole economy.

- To reduce energy efficiency and responsible energy use by at least 8% of energy demand.

- Exceed 50% of renewables in electricity generation.

- Achieve a penetration of electric cars of 2% of the vehicle fleet.

- Reach 1,000 MW of distributed renewable generation.

- Increase the high-voltage electricity transmission network by 5,000km of new lines.

The country's energy transition strategy focuses on some key points. Firstly, the exploitation of the unconventional natural gas resource in Vaca Muerta and its use as a bridge fuel in the transition, with lower CO2 emissions

during combustion than other fossil fuels. Secondly, the increase and promotion of renewable energies and the distributed generation of electricity from low-power renewable energy sources integrated into the public electricity grid in locations as close as possible to demand is planned. Thirdly, it is also committed to the use of lithium in the country and, in this sense, the replacement of vehicles with internal combustion engines with electric motors to achieve sustainable mobility.

Additionally, actions are being implemented to encourage the industrialization of hydrogen as an alternative fuel and an exportable input for the country, for which purpose the Hydrogen Intersectoral Roundtable has been set up.

Energy transition aims at a sustained reduction of GHG emissions and in view of this global horizon, the country is articulating strategies to adapt its economic activity to this process of change.

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PROVINCE OF NEUQUÉN: "CERRO HAMACA" BLOCK BIDDING PROCEDURE UNDER ADMINISTRATIVE MOTION

The Governor of Neuquén dismisses an administrative motion filed by Crown Point Energía S.A. regarding the public tender for the awarding of the "Cerro Hamaca" block.

By means of Provincial Decree N° 452/24 ("**Decree 452**"), published in the Official Gazette of the Province of Neuquén on May 21, 2024, the Governor of Neuquén dismissed the administrative motion filed by Crown Point Energía S.A. ("**Plaintiff**") against Resolution N° 309/23 issued by the Ministry of Energy and Natural Resources and Dispositions N° 46/2023 and 28/2023 issued by the Undersecretariat of Energy Mining and Hydrocarbons, both regarding the bidding procedure for the awarding of an exploitation concession over the "Cerro Hamaca" block (the "**Block**").

1. Factual background

During 2023, the Province of Neuquén (the "**Province**") called for a National and International Public Tender to select a company or group of companies for the exploitation, development, and exploration of hydrocarbons within the Block (the "**Bidding Round**").

As a result of the Bidding Round, the Province issued a pre-award report (the "**Report**"), which was contested by means of an administrative motion (the "Motion") by Plaintiff. Plaintiff alleged the existence of serious flaws in the Bidding Round that would justify the suspension thereof and the revocation due to illegitimacy. Among other issues, Plaintiff claimed that the Bidding Round was awarded to Petróleos Sudamericanos S.A., despite the fact that Plaintiff was in a better competitive position according to the Bidding Terms and Conditions ("**PBC**").

The main flaws alleged by Plaintiff to file the Motion are the following: (i) the absence of a public bid opening act of improved bids, (ii) acceptance of improved bids without the delivery of the corresponding bid bonds, (iii) the fact that a second round of submission of improved bids was called, (iv) nullity of conditional bids, (v) inadequate qualification of Plaintiff's background, resulting in a decrease in comparative scoring in the Bidding Round, (vi) misapplication of applicable law, and (vii) lack of competence due to the degree.

The Bidding Round was finally approved by Provincial Decree N° 104/23 and was awarded to Petróleos Sudamericanos S.A. by Resolution N° 120/23 of the Ministry of Energy and Natural Resources and Provincial Decree N° 1026/23.

2. Arguments of the Province to dismiss the Motion filed by Plaintiff

The Province dismisses Plaintiff's Motion based following arguments:

(i) the legal framework applicable to the Bidding Round does not mandate a public bid opening for improved bids, since these must be submitted in writing by the duly notified deadline;

(ii) due administrative process is guaranteed to the bidders upon communication of the Report, at which point they had a peremptory period to make any observations they deem appropriate;

(iii) the Pre-award Committee and/or the Enforcement Authority reserve the right to request for the bid improvements they deem convenient to facilitate selection, if they consider there is parity—not necessarily equality—in the submitted bids; and

(iv) technical evaluations and pre-award decisions fall to the Pre-award Committee, which has exclusive jurisdiction in these matters.

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ENARGAS: APPROVAL OF REVERSION OF THE NORTH GAS PIPELINE PROJECT

ENARGAS authorizes Energía Argentina S.A. and Transportadora de Gas del Norte S.A. to extend the natural gas transportation system from the "La Carlota" Compressor Plant to the "Tío Pujio" Compressor Plant, allowing gas to flow in both directions along the "Sistema Norte".

By means of Resolution N° 67/2022 ("**Resolution 67**"), the FSE created the Gas Pipeline System Program "Transport.Ar" (the "**Program**"), with the aim to execute the necessary works to promote the development of the industry, the provision of natural gas and the substitution of LNG and diesel importation. The construction of "President Nestor Kirchner Gas Pipeline", as well as its complementary works and the construction and expansion of the National Natural Gas Transport System, was also declared of national public interest.

Section 4 of Resolution 67 established that construction works of gas pipelines would be carried out through Argentine Energy S.A. ("**ENARSA**" as its acronym in Spanish) or third parties authorized by it. Decree of Necessity and Urgency N° 76/2022 delegated on ENARSA the power to plan, contract and execute the construction of the infrastructure works comprehensive of the Program approved by Resolution 67.

By means of Resolution N° 17/2023, the FSE approved a request made by Transportadora de Gas del Norte S.A. ("**TGN**") to build over the Northern Gas Pipeline a project which was inserted as a priority into the Program created by Resolution 67, together with the construction of the President Nestor Kirchner Gas Pipeline.

In this context, ENARSA and TGN jointly requested the authorization provided for in Federal Gas Law N° 24,076 (the "**Gas Law**") for the commencement of:

(i) The construction of 122 km of 36' pipeline from the La Carlota Compressor Plant site to the Tío Pujio Compressor Plant site, connecting TGN's North and Central West transportation systems;

(ii) The installation of 62 km of 30' loop north of the Tío Pujio Compressor Plant; and

(iii) Necessary adaptations in the La Carlota, Tío Pujio, Ferreyra, Dean Funes, Lavalle and Lumbreras compressor plants for the flow reversal of the North Gas Pipeline.

Recently, by means of Resolution ENARGAS N° 233/2024, the ENARGAS authorized ENARSA to extend the natural gas transportation system and start the construction of a gas pipeline from the vicinity of the 'La Carlota' Compressor Plant of the Central West Gas Pipeline to the vicinity of the 'Tío Pujio' Compressor Plant on the North Gas Pipeline, within the framework of the project called "Reversion of the North Gas Pipeline" (the "**Project**") of the Program created by Resolution 67.

Under the abovementioned Project, ENARGAS also authorized ENARSA together with TGN to start the construction of parallel pipelines to the North Gas Pipeline, between the 'Tío Pujio' and 'Ferreyra' Compressor Plants, and to carry out the necessary works and adjustments in the 'La Carlota', 'Tío Pujio', 'Ferreyra', 'Dean Funes', 'Lavalle' and 'Lumbreras' Compressor Plants.

TGN, as licensee of the North and Midwest gas pipelines, will be responsible for the control and authorization of the works related to the Project.

The initiative will enable the reverse transport of up to 19 MMm3/d from the Northern System, thus allowing the bidirectional flow of gas, providing versatility and guaranteeing the supply with reliability and security for seven provinces.

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