

## **NEWSLETTER ENERGY & NATURAL RESOURCES**

**JUNE 2024**



*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.*

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## GENERAL DEFINED TERMS

“**CAMMESA**” means Compañía Administradora del Mercado Mayorista Eléctrico S.A.

“**CAMMESA Procedures**” means the “*Procedures for the Programming of Operation, Load Dispatch, and Price Calculation*” (Procedimientos para la Programación de la Operación, el Despacho de Cargas y el Cálculo de Precios) approved by Resolution N° 61/1992 of the former Secretariat of Electric Energy (as amended and supplemented from time to time).

“**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 N° 17,319, as amended by Laws N° 26,197 and 27,007.

“**FSE**” means the Federal Secretariat of Energy.

“**MEM**” means the Wholesale Electricity Market, for its acronym in Spanish of *Mercado Eléctrico Mayorista*.

“**Omnibus Law**” means Law N° 27,742, named “*Law of Bases and Starting Points for the Freedom of Argentines*” (“*Ley de Bases y Puntos de Partida para la Libertad de los Argentinos*”).

“**PIST**” means the point of entry into the natural gas transmission system (for its acronym in Spanish of *Punto de Ingreso al Sistema de Transporte*).

## GENERAL REGULATORY NEWS

### PROVINCE OF NEUQUÉN: CREATION OF SPECIAL TOLL TAX

*In the Province of Neuquén, the Provincial Congress enacted Law N° 3439, which sets forth a financing system for road infrastructure within the province, using toll revenues and other resources to improve the road network and ensure its long-term maintenance.*

On June 12, 2024, the Province of Neuquén enacted Law N° 3439 ("**Law N° 3439**"), establishing a financing system for road works and their maintenance through the creation of a special toll contribution. The purpose of Law N° 3439 is to finance the construction, maintenance, operation and repair of road infrastructure through the collection of tolls from road users.

Law N° 3439 creates the Provincial Road Fund (the "**Fund**"), a special fund to administer revenues derived

from tolls and other resources destined to road infrastructure. The resources of the Fund must be used to pay for the construction, maintenance, repair and improvement of roads, as well as for the acquisition and/or maintenance of road equipment and to cover administrative costs. The law establishes partial or total exemptions, as the case may be, for vehicles registered in the Province of Neuquén.



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### PROVINCE OF NEUQUÉN: UPDATE OF FIXED MINIMUM AMOUNTS, SCALES, FINES, FEES AND OTHER AMOUNTS UNDER THE PROVINCIAL TAX LAW

*The Provincial Tax Revenue Service ("**DPR**", for its acronym in Spanish) issued Resolution N° 232/2024 updating certain amounts established under the Provincial Tax Law N° 3407.*

On June 25, 2024, the DGR issued Resolution N° 232/2024 ("**Resolution N° 232**"), whereby the DPR increased the fixed amounts provided for in different sections of the law, including among others, sections 2 (fines), 6, 14 (stamp tax reference values), 15 (minimum stamp tax), 16 (stamp tax reference values), 17 (stamp tax reference values), 19 (general service tax), 20 (service charge for construction companies), 21 (minimum service charge), 23 (Provincial Mining Direction service charges), 24 (Corporate Registry service charges), 27 (Industry Undersecretariat), 28 (DPR), 35 (Public Contracts Registry), 36 to 38 (court tax), 39 (Public Registry of Commerce), 48 (hydrocarbon activity service charges) and 49 (Water Resources Undersecretariat) of Provincial Tax Law N° 3407 (the "**Tax Law**").

The resolution approves a 14.62% increase of the administrative fees and services charges, effective as from July 1, 2024.



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## HYDROCARBONS

### UPDATES IN THE NATURAL GAS PRICING FRAMEWORK

*ENARGAS amended the methodology for determining PIST natural gas prices as part of ongoing efforts to stabilize and restructure energy subsidies in Argentina. This resolution requires gas producers and distributors to adjust their agreements to reflect the new PIST prices and align with the Transition Period towards targeted energy subsidies.*

By means of Resolution FSE N° 93/2024 ("**Resolution N° 93**"), published in the Official Gazette on June 4, 2024, the FSE approved the PIST natural gas prices calculated

by the ENARGAS, as part of the ongoing efforts to stabilize and restructure energy subsidies in Argentina and enhance the efficiency of the natural gas pricing framework.

Resolution N° 93 builds on the legal framework established by the FHL and Law N° 24,076, which establish national policies on hydrocarbon activities and mandate the incorporation of PIST natural gas prices to consumer tariffs. Additionally, to promote natural gas production, Decree N° 892/2020 (as amended) approved

the approved the “Federal Hydrocarbon Production, Self-Sufficiency, Export, Import Substitution, and Transportation System Expansion Plan 2023-2028” (“**Plan Gas.Ar**”).

Resolution N° 93 establishes the new PIST prices and states that ENARSA, gas producers, and distributors/subdistributors must adjust their agreements to reflect the newly established prices.

Resolution N° 93 also makes significant adjustments in the structure of energy subsidies, following the guidelines of Resolution FSE N° 91/2024, and aligns with the transition period for the amendment of energy subsidies

established by Decree N° 465/2024, ensuring that final users have access to essential energy consumption.

ENARGAS is instructed to ensure that the gas distribution and subdistribution tariffs reflect the new PIST prices and applicable subsidies.



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## ENARGAS APPROVES NEW NATURAL GAS RATES TO BE APPLIED BY DIFFERENT DISTRIBUTION COMPANIES

*ENARGAS halted the price increases established by the Administration in view of the decreased inflation rate, and established a new formula for future adjustments that considers an estimation of future inflation instead of using past inflation rates.*

By means of Resolution N° 256/2024 and Resolution N° 265/2024 (the “**Resolutions**”), ENARGAS approved the new gas distribution tariffs to be charged by the following service providers: Distribuidora Cuyana, Gasnor, Litoral Gas, Distribuidora Centro, Metrogas, Camuzzi Pampeana, Camuzzi Sur, Gasnea, Naturgy, and Redengas.

Decree N° 465/2024 (see May newsletter) (“**Decree 465**”) had amended the previous subsidy regime and

established a transition regime between June 1 and November 30, 2024 (the “**Decree 465 Transition Period**”). Decree 465 also empowered the ENARGAS’ interventor to establish new natural gas distribution tariffs for the Decree 465 Transition Period. In May, however, the Ministry of Economy decided to halt the price increases considering the lowering of the inflation rate, thus postponing further increases, and changed the formula for the future, replacing the use of past inflation with an estimation of future inflation. The Resolutions approved the tariffs for the Decree 465 Transition Period considering all of the above.

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## APPROVAL OF TRANSITIONAL TARIFF SCHEME FOR METROGAS

*ENARGAS approves the transitional tariffs and service fees and charges applicable to METROGAS S.A. until an integral tariff review is conducted, together with monthly tariff adjustments.*

On June 5, 2024, ENARGAS issued Resolution N° 260/2024 (the “**Resolution**”), approving the transitional natural gas distribution tariffs and service fees and charges to be applied to METROGAS S.A. (“**Metrogas**”).

The Resolution was issued within the framework of Decree N° 55/2023 (“**Decree N° 55**”), whereby the Executive Branch declared the emergency of the federal energy sector until December 31, 2024, and ordered the commencement of a tariff review process under section 42 of Federal Gas Law N° 24,076 (the “**Gas Law**”) for transportation and distribution of natural gas under federal jurisdiction.

Following three public hearings held during January and February 2024, the FSE issued Resolution FSE N° 41/2024 (“**Resolution 41**”), setting PIST gas prices to be transferred to end-users. Resolution 41 established the need for a temporary adjustment of natural gas transportation and distribution tariffs to maintain, in real

terms, the income levels of public utilities to cover the investments required to maintain the quality standards and sustainability of the relevant utilities.

Subsequently, as mentioned above, through Decree 465, the Federal Executive Branch provided for the restructuring of energy subsidy schemes under national jurisdiction and established the Decree 465 Transition Period.

Within that framework, the FSE first issued Resolution N° 91/24 (“**Resolution N° 91**”) establishing the bonuses to be applied during the Decree 465 Transition Period and empowered the ENARGAS to order the distribution companies to maintain the already existing benefits related to the social tariff. Through Resolution N° 93 (see above), ENARGAS was instructed to establish tariff values reflecting the monthly variation of the exchange rate.



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## FSE MODIFIES MANDATORY PURCHASE PRICES FOR BIOFUELS

*The FSE modified the minimum purchase prices for biofuels, reflecting the latest economic conditions.*

Federal Law N° 27,640 (the "**Biofuels Law**") sets forth the regulatory framework for the biofuels market in Argentina and provides mandatory percentages for blending with fuels such as diesel oil and gasoline. Pursuant to Section 13, the FSE may set new minimum purchase prices ("**MPP**") in accordance with the fluctuating economic conditions. On May 13, 2024, the FSE increased the MPP of biofuels, considering the macroeconomic context.

By means of Resolution FSE N° 95/2024, it set the MPP of bioethanol made from sugarcane at ARS 635 (approximately USD 0.68) per liter, which represents an increase of 2,09% compared to the latest values; and the

MPP of bioethanol made from corn at ARS 582 (approximately USD 0.62) per liter, which represents an increase of 2,11% compared to the latest values.

In turn, through Resolution N° 96/2024, it set the MPP of biodiesel destined for mandatory blending with diesel at ARS 951,285 (approximately USD 1,019.59) per ton, which represents an increase of 1,36% compared to the latest values.



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## ENARGAS ORDERS NATURAL GAS DISTRIBUTION COMPANIES TO IMPLEMENT THE BONUS ESTABLISHED UNDER LAW N° 27,269 IN THEIR INVOICES

*ENARGAS instructed natural gas distribution companies to include in their invoices the bonus established under Law N° 27,269 to users registered in the National Registry of Volunteer Firefighters and Non-Governmental Organizations.*

On June 15, 2021, through Law N° 27,629 on the Strengthening of the National System of Volunteer Firefighters, a Special Free Tariff Regime was established for Entities of the National System of Volunteer Firefighters, regarding public utilities under national jurisdiction such as electricity supply, natural gas provided by networks, potable water and sewerage collection services, fixed-line telephony, mobile telephony in all its forms, and information and communications technology services.

This special free tariff regime was implemented by Decree N° 23/2023 (January 16, 2023), which stipulated that this benefit should be reflected in the invoice for the provision of the aforementioned public services and empowered the regulatory agencies to issue the necessary regulations to implement it in favor of the beneficiary entities and/or recipients of services supplied by providers under their jurisdiction. Furthermore, on July 26, 2023, through Resolution N° 619/2023, the FSE ordered ENARGAS to establish procedures for determining the beneficiaries of the Special Free Tariff Regime and estimating the resources needed to fund this benefit.

In this context, ENARGAS's Resolution N° 252/2024 ("**Resolution 252**") ordered natural gas distribution companies to include in their invoices, the item "Law 27,629 Bonus" for all users registered in the National Registry of Volunteer Firefighters and Non-Governmental Organizations (the "**Registry**").

Those interested in benefiting from the bonus must submit their application through a form available in ENARGAS' website. ENARGAS shall make the Registry available to the distribution companies, who must apply the benefits to all users included in it.

Additionally, Resolution 252 sets forth that ENARGAS must annually estimate the resources required to fund the benefit based on commercial information submitted by providers through the Automatic System for Information Submission (SARI, for its acronym in Spanish).



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## POWER AND ELECTRICITY

### ENRE UPDATES THE ACCESS CAPACITY FRAMEWORK

*The ENRE modified the procedures related to the approval of increased capacity requests for existing transport access. This amendment allows applicants to bypass the*

*publication of their request, if they have the necessary technical approvals from CAMMESA and the relevant transporter or distributor.*

By means of Resolution N° 321/2024, published in the Official Gazette on May 31, 2024 ("**Resolution 321**"), the ENRE resolved to streamline the process for requests to increase capacity in existing transport access regulated in Annex III of Resolution N° 65/2024 ("**Resolution 65**").

Resolution 65 established the conditions and technical requirements that the applicants must meet, as well as a procedure tending to publicize the Requests for Access to the Existing Transportation Capacity submitted by the interested parties.

Resolution 321 amends the procedure established in Annex III of the "Regulation for Granting Access to Existing Transport Capacity" (*Reglamento de Acceso a la Capacidad de Transporte Existente*) approved by Resolution 65, by eliminating the requirement for publishing the request, provided that applicants obtain technical approval from CAMMESA and the relevant transporter, distributor, or Additional Technical Transport Function Provider ("**PAFTT**", for its acronym in Spanish). Compliance with applicable environmental and public safety regulations is also required.

Once the authorization is granted, it will be communicated to the applicant and recorded in the "Informative Registry of Access to Existing Transport Capacity" (Registro Informativo de Accesos a la Capacidad de Transporte Existente).

Resolution 321 also requires a copy to be sent to the FSE for its information. Notifications will be sent to CAMMESA, the Association of Electric Energy Generators of Argentina ("**AGEERA**", for its acronym in Spanish), the Association of Electric Energy Distributors of Argentina ("**ADEERA**", for its acronym in Spanish), the Association of Large Users of Electric Energy of Argentina ("**AGUEERA**", for its acronym in Spanish), and the Association of Electric Energy Transporters of Argentina ("**ATEERA**", for its acronym in Spanish).



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## FSE APPROVES WINTER SEASON PROGRAMMING

*FSE issued Resolution N° 92/2024, approving the definitive winter seasonal programming for the MEM and the Tierra del Fuego System Wholesale Electricity Market (MEMSTDF) for the period of May 1 to October 31, 2024, to establish seasonal prices that reflect the actual costs of supplying electricity and ensure compliance with the emergency measures in place.*

By means of Resolution N° 92/2024 ("**Resolution N° 92**") published in the Official Gazette on June 4, 2024, the FSE, approved the definitive winter seasonal programming for the MEM and Wholesale Electrical Market of Tierra del Fuego Province ("**MEMSTDF**", for its acronym in Spanish).

Resolution 92 amends the CAMMESA Procedures, which is based on optimal dispatch that minimizes total operating costs and determines the seasonal prices each distributor will pay for their purchases in the MEM.

The main goal of Resolution N° 92 is to comply with section 36 of the Federal Electricity Law N° 24.065, pursuant to which seasonal prices must represent the costs incurred in the MEM and must be reflected in the tariffs paid by end-users.

CAMMESA submitted the definitive 2024 winter seasonal programming for MEM and MEMSTDF for the

period from May 1, 2024, to October 31, 2024. The restructuring of energy subsidy regimes, effective from June 1, 2024, to November 30, 2024, is part of this comprehensive programming.

Resolution 92 also specifies the application of Reference Prices for Power ("**POTREF**" for its acronym in Spanish) and the Stabilized Energy Price ("**PEE**", for its acronym in Spanish) for the MEM and MEMSTDF, ensuring these prices are used in the tariff schedules of distributors and public service providers. It includes mechanisms for focused energy subsidies, targeting residential users based on income levels as defined in Decree N° 332/2022 and amended by Decree 465.

Pursuant to this resolution, electricity consumption volumes reported by distribution companies must be validated by the regulatory agencies within each jurisdiction. It also reiterates the importance of transparency, equity, proportionality, predictability, and gradualism in implementing these measures.



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## APPROVAL OF THE NEW TARIFF SCHEDULES FOR EDENOR AND EDESUR

*The ENRE approved the Tariff Schedules to be applied to residential users Level 1, 2 and 3, for Neighbourhood and Village Clubs (CdByP) and the User-Generator Injection*

*Tariffs by Empresa Distribuidora y Comercializadora Norte S.A. ("**EDENOR**") and Empresa Distribuidora Sur S.A. ("**EDESUR**") as from June 1, 2024.*

By means of Resolution N° 334/2024 and Resolution N° 335/2024 (the "**Resolutions**"), published on the Official Gazette on June 7, 2024, the ENRE approved the Tariff Schedules to be applied to residential users Level 1, 2 and 3, by EDESUR and EDENOR respectively, as from June 1, 2024.

The Resolutions instruct the companies, considering the values contained in the annexes "Wholesale Market Cost" of each Resolution, to calculate the amount of the MEM cost, in accordance with the monthly consumption of each user (which must be identified as "Wholesale Electricity Market Cost" in the invoices) and, considering the values of subsidies and the monthly consumption of each user, to calculate the amount of the corresponding subsidy, which must also be identified in the invoice.

In addition, ENRE approved the tariffs for residential users for neighbourhood and community clubs included in the list approved by the Ministry of Tourism and Sports in accordance to the Resolution FSE N° 742/2022 and approved the Injection Tariffs for User-Generators. ENRE also approved the tariff values to be applied for the self-administered metering system by EDENOR.



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## ADJUSTMENT OF POWER SPOT PRICES

*The FSE approved the maximum spot prices for the MEM.*

Through Resolution FSE N° 99/2024 ("**Resolution 99**"), published on the Official Gazette on June 14, 2024, the FSE approved new updated maximum spot prices for electricity, which varies depending on the energy source, with the aim of updating power prices to economically reasonable and efficient conditions, within the framework of the monetary deflation process carried out by the Federal Government.

Resolution 99 was issued as part of the measures adopted to provide the regulatory guidelines and mechanisms gradually organizing the National Energy Sector towards mechanisms of efficiency in the cost of

generation and its associated remuneration with respect to energy and power not committed in agreements, promoting a regime of greater freedom and competition in the MEM, in which supply and demand carry out transactions, under the protection of rules that establish an autonomous, competitive and sustainable operation from an economic standpoint.



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## NEW POWER PROJECTS EXEMPTED FROM THE "PAIS" TAX

*The FSE incorporated 28 renewable energy projects to the list of importers exempt from the application of the PAIS tax on the payment of imports of goods.*

In 2019, section 35 of Law N° 27,541 on Social Solidarity and Productive Reactivation within the Framework of Public Emergency created the so-called "Tax for an Inclusive and Solidary Argentina" ("**PAIS Tax**", for its acronym in Spanish). Pursuant to the amendments introduced in 2023 by Decree N° 377/2023, the PAIS Tax applies, inter alia, to the purchase of foreign currency in the official FX market for the payment of imports of goods. Decree N° 377/2023 established that imports of goods exempted by the FSE would not be subject to the tax.

By means of Resolution N° 714/2023, on August 30, 2023, the FSE determined that the payment of the PAIS Tax would not apply to the import of goods for power generation projects and instructed the Undersecretariat

of Electric Energy to prepare and/or modify the lists of importers of goods covered by said provisions, both in relation to electric power generation sectors in general, and specifically those related to renewable energy projects.

Through Resolution N° 101/2024 ("**Resolution 101**"), published on the Official Gazette, on June 19, 2024, the FSE added 28 renewable energy projects to the list of importers exempt from the PAIS Tax, which exemption shall apply from the publication of Resolution 101 on the Official Gazette.



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## NEW CAPS ON SUBSIDIZED CONSUMPTION OF NATURAL GAS AND ELECTRICITY

*The FSE updated the caps on subsidized consumption of electricity and natural gas.*

By means of FSE Resolution N° 90/2024 and FSE Resolution N° 91/2024 (jointly, the **"Resolutions"**), published in the Official Gazette on June 5, 2024, the FSE updated the caps on subsidized consumption of electricity and natural gas as part of the restructuring of energy subsidy regimes outlined in Decree 465. As explained above, Decree 465 seeks to ensure a gradual, orderly, and predictable transition towards a subsidy scheme that (i) reflects the real costs of energy for users, (ii) promotes energy efficiency, and (iii) ensures vulnerable residential users have access to essential electricity, piped natural gas, and bottled gas.

The Resolutions set the caps on subsidized consumption for residential electricity and natural gas users during the Decree 465 Transition Period. These caps align with the objectives set forth in Decree 465 and apply to users classified under segmentation levels 2 (lower income) and 3 (middle income) as per Decree N° 322/2022 (**"Level 2 Users"** and **"Level 3 Users"**, respectively).

For electricity, Resolution 90 set the following threshold for subsidized consumption for residential electricity demand as declared by distribution agents and/or public service providers in the Wholesale Electricity Market (the **"Base Power Consumption"**): a) Level 2 Users: 350 kWh/month; and b) Level 3 Users: 250 kWh/month. For users without access to piped natural gas or propane and located in specific bio-environmental zones (IIIa, IVa, IVb, IVc, IVd, V, and VI under IRAM 11603/2012 standards), the Base Power Consumption is set at: a) Level 2 Users: 700 kWh/month; and b) Level 3 Users: 500 kWh/month. Any consumption beyond the Base Power Consumption is considered excess consumption (**"Excess Power Consumption"**) and will affect the energy component pricing passed onto tariffs.

During the Decree 465 Transition Period the Base Power Consumption for Level 2 Users receives a 71.92% discount on the price set for Level 1 Users (higher income) according to Decree N° 322/2022. Excess Power Consumption for Level 2 Users is charged without any discount. The Base Power Consumption for Level 3 Users receives a 55.94% discount on the price set for Level 1 Users. Excess Power Consumption for Level 3 Users is charged without any discount.

Pursuant to Resolution 91, in the case of Natural Gas, during the Decree 465 Transition Period, Level 2 Users shall have the same consumption caps as Level 3 Users, as defined in Resolution N° 686/2022 (**"Base Gas Consumption"**). Any consumption above the Base Gas Consumption is considered excess consumption (**"Excess Gas Consumption"**) and will affect the energy component pricing passed onto tariffs.

During the Decree 465 Transition Period, the Base Gas Consumption for Level 2 Users receives a 64% discount on the gas price at the PIST, while Excess Gas Consumption is charged without any discount. An exception exists for Level 2 Users served by Camuzzi Gas del Sur S.A., who receive a 24% discount on the gas price at the PIST for excess consumption. The Base Gas Consumption for Level 3 Users receives a 55% discount on the gas price at the PIST, while Excess Gas Consumption is charged without any discount.



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## MINING

### AMENDMENT TO MENDOZA'S MINING PROCEDURE CODE

*Mendoza's Executive Branch promulgated the amendment of the Mining Procedure Code approved by Law N° 9,529 of April 2024.*

Provincial Law N° 9,529, passed in April 2024, amended Mendoza's Mining Procedure Code. On June 4, 2024, the law was promulgated and published in the Provincial Official Gazette. This amendment came into force fifteen (15) days following its publication, that is, June 19, 2024.

The amendment seeks to streamline mining activities through a simplification of the terms and procedures for requests of mining permits, the digitalization of mining data, among other amendments. The amendments also aim to make mining more transparent, establishing greater environmental controls for this activity and strengthening the province's surveillance powers.

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### PROVINCE OF RÍO NEGRO: APPROVAL OF THE PROTOCOL OF PRIOR, FREE AND INFORMED CONSULTATION APPLICABLE TO THE INDIGENOUS COMMUNITIES OF THE PROVINCE OF RIO NEGRO

*The Secretariat of Mining of the Province of Río Negro approved the Protocol of Free, Prior and Informed Consultation applicable to the Indigenous Communities of*

*the Province of Río Negro that have legal status, recognized by the Provincial government.*



By means of Resolution N° 136/2024 (“**Resolution 136**”), on May 13, 2024, the Secretariat of Mining of the Province of Río Negro (the “**Secretariat of Mining**”) approved the Protocol of Free, Prior and Informed Consultation (“**FPIC**”) applicable to Indigenous Communities of the Province of Río Negro (the “**Protocol**”). The Protocol shall apply to mining projects and procedures initiated as from the entry into force of Resolution 136. The Secretariat of Mining shall oversee the FPIC process when mining rights overlap with indigenous territory.

Consultation under FPIC must be: (i) prior (carried out before adopting the measures); (ii) free, without pressure or coercion, with peaceful dialogue; and (iii) informed, ensuring access to, and understanding of, all relevant information.

FPIC is a space for dialogue allowing indigenous communities to be heard and responded to, integrating their observations and concerns into proposals. If an agreement is not reached, the process must comply with certain conditions in order to be able to carry out the mining activities, respecting the identity and property of the affected indigenous communities. FPIC does not suspend administrative procedures for the granting of mining rights and seeks to guarantee the collective rights of indigenous communities in the context of economic, energy and mining development.

The Protocol is based on the precedent for the development of the Community Outreach Protocol, approved by the Secretariat of Mining, which involved the participation of national and provincial agencies, and the collaboration of the International Labor Organization (the

“**ILO**”) and the National Institute of Indigenous Affairs (the “**INAI**”), and takes into consideration ILO Convention N° 169, the National Constitution and the Provincial Constitution.

The process must be initiated by the enforcement authority with the representatives of the relevant legally recognized indigenous communities, whenever mining rights may overlap with their territories or directly affect their cultural identity. The enforcement authority must notify the holder of the mining rights and request relevant information to be submitted 15 days after the registration of the right. The enforcement authority must identify the affected communities and set a date for a preliminary hearing.

The procedure shall conclude with a documented declaration of free and informed will, identifying the agreements reached and outstanding disagreements. If the communities’ consent is not obtained, the enforcement authority must adopt measures to ensure the needs of the indigenous communities.

The enforcement authority must guarantee compliance with the agreements resulting from the FPIC and establish participatory measures for control and supervision of the agreements and measures adopted.



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## PROVINCE OF RÍO NEGRO: APPROVAL OF THE COMPREHENSIVE GUIDE FOR THE PREPARATION OF THE SWORN STATEMENT OF GOOD PRACTICES AND THE COMMUNITY ENGAGEMENT PROTOCOL

*The mining authority of Río Negro approved the Comprehensive Guide for the preparation of the Sworn Statement of Good Practices and the Community Engagement Protocol. These instruments, fundamental to the new Code of Mining Procedures established by Law N° 5702, seek to promote social responsibility, good practices, and community participation in mining projects.*

By means of Resolution N° 139/2024 (“**Resolution 139**”), dated May 30, 2024, the Secretariat of Mining approved the Comprehensive Guide for the preparation of the Sworn Statement of Good Practices (the “**DJBP**”, for its acronym in Spanish) and the Community Engagement Protocol (the “**Protocol**”), establishing them as fundamental parts of the mining process.

Law Q N° 5702 approved the new Code of Mining Procedures (the “**CMP**”), including rules on social responsibility, good practices, and community engagement. According to section 58, holders of rights and operators of mining projects must submit a DJBP before starting activities or receiving concessions. This DJBP must contain relevant information about the

socioeconomic, cultural, and environmental aspects of local communities, as well as the planned forms of interaction with them.

The Protocol, an essential part of the DJBP, seeks to integrate the company into the community, prevent and manage conflicts, and promote local development.

The development of the Protocol involved various institutions and organizations, highlighting it as a crucial instrument for citizen participation and transparency in mining activities.

The DJBP is fundamental in the planning and execution of mining projects and required to obtain concessions for 1st or 2nd category mining rights. This document addresses socio-economic and cultural aspects and also serves as a strategic tool to harmoniously integrate mining operations into the social and environmental context. Its presentation is required for the initiation and continuous development of the project, evolving over time to reflect a constant commitment to dialogue, transparency, and respect towards the affected communities.

The DJBP must initially be submitted for each mining project, and in the event of incorporating new mining rights, an addendum detailing the inclusion of additional groups and communities in the influence area must be added. Additionally, this document must be updated every two years to ensure its relevance and effectiveness throughout the project's lifecycle. Resolution 139 regulates the minimum contents for the presentation of the DJBP.

In turn, the Protocol must be designed internally by the company to evaluate its corporate social responsibility standards and must be fully integrated with the DJBP.

The Protocol must identify and describe the groups and communities within in the Area of Influence and include a description of social, economic and productive situation of nearby localities, its cultural aspects and forms of social organization. The Protocol must also include a brief description of the environment in the project's Area of Influence.

In the DJBP's first submission of the project, a preliminary agenda of activities will be established in accordance with the Protocol, including meetings with government authorities and the groups and communities of the Area of Influence. Subsequent updates should demonstrate compliance with the schedule. In exploration or more advanced stages, agreements must be formalized with occupants, surface owners, groups and communities, as well as with governmental and non-governmental organizations in the Area of Influence, in accordance with section 63 of the CMP.



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## PROVINCE OF RÍO NEGRO: APPROVAL OF THE REGULATION OF OPERATION OF THE PROVINCIAL COUNCIL FOR ENVIRONMENTAL MINING ASSESSMENT

*The Secretariat of Energy and Environment approved the rules of operation of the Provincial Environmental Mining Assessment Council (CO.P.E.A.M).*

By means of Resolution N° 802/2024 ("**Resolution 802**"), dated June 6, 2024, the Secretariat of Energy and Environment of the Province of Río Negro (the "**Secretariat**") approved the Regulation of Operation of the Provincial Council for Environmental Mining Assessment (CO.P.E.A.M) (the "**Regulation**"). The Regulation establishes the rules for the CO.P.E.A.M.'s organization and operation, sets forth the convening of the Council, when necessary, regulates the appointment of representatives, the establishment of work schedules, and the delivery of relevant technical reports.

Pursuant to the Regulation, operating expenses will be covered by the incumbent mining company, justified and reviewed by the enforcement authority (the Secretariat together with the Secretariat of Environment and Climate Change).

CO.P.E.A.M. will receive representatives from the Mining and Environment and Climate Change Secretariats, which will present reports and answer questions from the members. Background information on the project will be provided to members prior to the start of the meeting. If queries arise, the session may be suspended for up to ten working days to provide adequate answers. Once the sessions are concluded, the CO.P.E.A.M. will prepare final minutes that will be forwarded to the Secretariat of Environment and Climate Change to continue with the corresponding administrative procedures.



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## INSIGHTS ON THE ARGENTINE ENERGY INDUSTRY

### THE OMNIBUS LAW N° 27,742

On June 27, 2024, the National Congress approved the Bases and Starting Point of the Freedom of Argentines Law (*Ley de Bases y Puntos de Partida para la Libertad de los Argentinos*) (the "**Omnibus Law**"). The Omnibus Law was passed as Law N°27,742 and published in the Official Gazette on July 8, 2024.

The Omnibus Law introduced several amendments to existing laws intended to provide an integrated and international vision of the Argentine energy sector and

encouraging private sector participation. In this regard, among other goals, the law seeks to: a) promote the free international trade of natural gas, liquefied natural gas, liquefied petroleum gas, propane, butane, oil, and its by-products; b) eliminate restrictions to favor the segmentation of the industry, encouraging companies, other than producers, to provide natural gas processing and liquefaction services and transportation and storage of hydrocarbons and by-products; c) foster the free marketing and expansion of the energy markets; d) provide a sound

legal framework for the development of energy infrastructure by the private sector; and e) promote the harmonization of environmental legislation in the hydrocarbons sector.

In addition, the Omnibus Law creates the Incentive Regime for Large Investments ("RIGI", for its acronym in Spanish), a promotional regime granting free marketing and operation rights, tax, customs and FX benefits and legal stability for a term of 30 years for large projects in certain economic sectors, including the oil and gas and power sectors.

Below is a summary of the key points of the Omnibus Law that impact the energy sector.

## 1. Amendments to the FHL and the Hydrocarbon Sovereignty Law N° 26,741

Two of the main goals of the new law is the maximization of income obtained from the exploitation of hydrocarbon resources and securing the country's hydrocarbon needs. In line with this shift in paradigm, the Omnibus Law repeals section 1 of Law N° 26,741, which declared that hydrocarbon self-sufficiency was of public interest and a priority objective.

**Right to freely market production:** the Omnibus Law recognizes the right to freely market hydrocarbons and prevents the Executive Branch from intervening or setting prices in any segment of the production chain. It also recognizes the right to freely import and export hydrocarbons and by-products, in accordance with the regulations to be issued by the Executive Branch. Although exports shall be subject to the FSE not objecting the same, objections may only be based on technical or economic grounds related to securing supply.

**Upstream:** Among other changes, the Omnibus Law:

- Modifies surface fees and eliminates the need to obtain a permit to conduct surface inspection activities.
- Modifies the acquisition mechanism and the terms of unconventional concessions upon reconversion of conventional concessions.
- Eliminates the criterion of "*maximization of production compatible with adequate and economic exploitation of the reservoirs*" in connection with required investments.
- Eliminates the general 10-year extension regime and requires that a bidding process be carried out upon expiration of a concession period as a prerequisite to grant new concessions over the same block, albeit authorizing the enforcement authority to grant concessions for terms of up to 10 years longer than those established under the FHL. Upon expiration of the concession period, new concessions over the same block may not be without a bidding process, which may be conducted at least 1 year before expiration of the concession term.
- Amends the regulations governing royalties in connection with concessions granted after the entry into force of the Omnibus Law. According to the new mechanism, as part of the bidding process, bidders shall offer a royalty payment (considering a reference rate of 15% plus a (positive or negative) adjustment factor set by the bidder).

- Repeals section 51 of the FHL, which did not allow foreign companies to submit bids in tenders for obtaining hydrocarbon permits and concessions.

## Midstream: The Omnibus Law:

- Replaces the "transportation concession" with a "transportation authorization" and creates the "processing authorization", which grants the right to develop and operate conditioning plants, oil pipelines, and gas pipelines, among others, including natural gas liquefaction plants.
- The "new" authorizations shall be granted without the need of a public tender process, do not confer exclusivity rights and shall be subject to the open access principle, subordinated to the satisfaction of the needs of the authorization holder.
- Creates a registry of companies authorized to conduct transportation and/or processing activities.

**Underground storage:** The Omnibus Law regulates underground natural gas storage and establishes that natural gas used in underground storage shall pay royalties upon its first sale.

**Sanctions:** the Omnibus Law also amends the fines payable in case of breaches to the FHL.

## 2. Amendments to the Natural Gas Law N° 24,076

**Importation:** Natural gas imports are authorized without prior approval.

**Exportation:** Regarding natural gas exports, it is established that they must be regulated by the Executive Branch as provided in the FHL. The explicit reference in Law N° 24,076 that exports should not affect the supply of the domestic market is eliminated, in line with the amendments to the FHL, the Hydrocarbon Sovereignty Law N° 26,741 and the Customs Code (cf. DNU 70/2023).

**Liquefied natural gas (LNG):** Establishes a special regime for LNG exports, guaranteeing firm export conditions and the stability of the export authorizations.

**License terms:** Extends the renewal expiration term of licenses for public transportation and distribution of natural gas from 10 to 20 years.

**Storage facilities:** Establishes that, in order to ensure the supply of non-interruptible services, transporters and distributors will have the right to acquire, build, operate, maintain, and manage natural gas storage facilities, either by themselves or through third parties, within the limitations established by the Law.

## 3. Unification of regulatory agencies

The Omnibus Law creates the National Gas and Electricity Regulatory Agency ("*Ente Nacional Regulador del Gas y la Electricidad*"), which shall replace ENRE and ENARGAS.

#### 4. Adjustment of the Electricity Laws N° 15,336 and N° 24,065

The Omnibus Law authorizes the Executive Branch to adjust, for a 1-year period, the regulatory framework for electric energy, according to, among others, the following bases: a) promotion of an international market for the trading of power; b) free marketing of power and maximization of competition; c) the economic dispatch of energy transactions must be based on the hourly cost of the system; d) tariffs must be adjusted to reflect the actual costs of the service; and e) promotion of the development of power transportation infrastructure through competitive mechanisms.

#### 5. Uniform environmental legislation according to Law N°27,007

The Omnibus Law empowers the Executive Branch to develop, together with the provinces, harmonized nationwide environmental legislation in accordance with section 23 of Law N° 27,007.

#### 6. Incentive Regime for Large Investments (RIGI)

The Omnibus Law approves the Incentive Regime for Large Long-term Investments, a promotional regime that recognizes incentives and provides guarantees of regulatory, fiscal, customs, and exchange rate stability to qualifying projects, for a term of 30 years as from the RIGI Inclusion Date (as defined below). Project approval applications must be submitted within 2 years of the law's effective date (a term that may be extended by the Executive Branch for one additional year).

**Sectors:** RIGI shall be available for large investments in the forestry, tourism, infrastructure, mining, technology, iron and steel, energy, oil, and gas sectors.

**Eligible special purpose vehicles (SPVs):** Beneficiaries under RIGI shall be corporations ("*sociedades anónimas*"), single-shareholder corporations ("*sociedades anónimas unipersonales*"), limited liability companies ("*sociedades de responsabilidad limitada*"), branches of foreign companies, dedicated branches of an existing company (subject to special regulation), joint ventures and other associative contracts.

**Eligible projects:** New projects (or new stages of existing projects) that meet the minimum required investments established by the Executive Branch for each sector, subsector, or production stage (between USD 200 million and USD 900 million).

The regulations to be issued by the Executive Branch must establish the minimum investment amount to be met during the first 2 years of the project. While this percentage may be different for each year, it must reach at least 40% of the minimum investment during the first 2 years. Exceptionally, when particular circumstances apply to a sector, subsector, or productive phase, the Executive Branch may reduce this percentage, which cannot be less than 20%.

The project must be a long-term project; i.e., the ratio between the present value of the expected net cash flow –

excluding investments – during the first 3 years from the first disbursement and the net present value of the projected capital investments for the same period, must not be greater than 30%.

The Omnibus Law establishes a special scheme for "Strategic Long-term Export Projects," i.e., projects that may position Argentina as a new long-term supplier in global markets where it does not yet have a significant participation, involving capital disbursements in successive stages with a minimum investment in computable assets per stage equal to or greater than one billion US dollars (USD 1,000,000,000), qualifies as such by the implementing authority.

**Approval process:** The project approval application must, among other things, include certain information about the project, job generation capacity, investment plan, financing scheme, local supplier development plan, and a sworn statement, based on a technical report, that the VPU will not distort the local market. The supplier development plan must contain a commitment to hire local suppliers of goods and/or works for the project equivalent to at least 20% of the total investment amount allocated to payments to suppliers, provided that the local supplier offer is available in market conditions in terms of price and quality (percentage to be maintained during the construction and operation stages).

Once the project is approved, the inclusion date in the RIGI will be the project submission date (or, if applicable, the submission date of the supplemental documentation requested by the enforcement authority) ("**RIGI Inclusion Date**").

**Tax benefits:** The following benefits are established:

##### Income tax

- Reduced rate of 25%.
- Accelerated depreciation scheme according to asset type.
- Possibility of carrying forward tax losses indefinitely. After 5 years, unused tax losses can be transferred to third parties. Inflation adjustment of tax losses is provided.
- Dividend and profit distribution from the SPV will be taxed at 7%. After the expiration of a term of 7 years from the RIGI Inclusion Date, the rate is reduced to 3.5%.
- The deduction of interest and exchange rate differences is governed by general rules. However, during the first 5 years from the RIGI Inclusion Date, thin capitalization rules provided in Section 85 of the Income Tax Law will not apply.
- Additional benefits are provided for Strategic Long-term Export Projects.

##### Value-added tax (VAT)

- Possibility to pay VAT to RIGI project suppliers or the AFIP (in the case of goods imports for the project) through tax credit certificates. The issuance process, requirements,

and application conditions for these certificates will be established in the regulation.

#### Tax on bank debits and credits

- Authorizes computing the entire tax paid as a credit in the income tax.

#### **Customs benefits:**

##### Import duties

- Exempts temporary and definitive imports of new capital goods, spare parts, components, parts, and consumable goods for the project from the payment of import duties, statistical rate, destination verification rate, as well as any other federal or local perception, retention, or advance payment regime.
- Authorizes suppliers of goods or services of RIGI projects to request registration under RIGI exclusively to enjoy the benefit of exemption from import duties on goods required to supply a RIGI project. Special requirements and monitoring mechanisms are established.

##### Export duties

- Exempts RIGI project exports from the payment of export duties, from the expiration of a 2-year period from the RIGI Inclusion Date for Strategic Long-term Export Projects, and 3 years for other projects.

**Right to import and export freely:** The Omnibus Law recognizes the right of RIGI beneficiaries to import goods for the construction, development, and operation of the project, as well as to freely export the project's goods and prohibits the establishment of supply priorities in favor of local demand. The law also:

- Forbids the application of prohibitions, direct and quantitative restrictions of an economic nature, maximum amounts, economic quotas on the project's imports and exports.
- Prohibits the application of price controls or similar measures that alter the value of exported or imported goods.
- RIGI projects may not be affected by restrictions that impact the supply, transportation, and processing of the inputs and materials required for the preparation of exportable products, including, without limitation, requirements to purchase from local suppliers under less favorable economic conditions than market conditions, preference in the purchase of goods or services to other users, restrictions affecting the construction or operation of transportation or processing infrastructure dedicated to the project, or that affect the stability of existing long-term export permits.

#### **Exchange rate benefits:**

Without prejudice to the application of more favorable general rules regarding the negotiation and settlement of export collections, recognizes the free availability (and exemption from the obligation to repatriate and settle for

Pesos export proceeds) of: (i) 20% of the proceeds of each export as from the expiration of a 2-year period from the SPV's start-up date (1 year in the case of Strategic Long-term Export Projects), (ii) 40% of the export proceeds as from the expiration of a 3-year period from the SPV's start-up date (2 year in the case of Strategic Long-term Export Projects), and (iii) 100% of the export proceeds as from the expiration of a 4-year period from the SPV's start-up date (3 year in the case of Strategic Long-term Export Projects).

- RIGI SPVs shall not be subject to an obligation to transfer to Argentina and settle for Pesos amounts disbursed under external loans or capital contributions. However, guarantees regarding the access to the MLC for the repayment of loans, payment of dividends and repatriation of investments by non-residents shall only apply to external loans and capital contributions transferred and settled through the local exchange market (MLC). The Law authorizes the issuance of regulations that (as the ones currently in effect) establish limitations to access to the MLC if the SPV has available external liquid assets.
- Regulations imposing restrictions or prior authorizations for the payment of debt services under cross-border indebtedness, dividend payments or repatriation of investments by non-residents shall not apply to the RIGI SPV, provided that the relevant loans or equity contributions were transferred to Argentina and settled for Pesos through the MLC after the RIGI Inclusion Date.

**Other guarantees:** The Omnibus Law recognizes to the SPV: (i) the right to freely dispose of and market the project's production in the domestic and external markets; (ii) protection against expropriation and confiscation of the project's assets; (iii) the right to operate the project without interruptions (except by judicial resolution in a process that ensures the beneficiary's right to defense); and (iv) unrestricted access to justice and legal remedies for the protection of its rights.

**Stability guarantee:** The Omnibus Law grants beneficiaries regulatory, fiscal, customs, and foreign exchange stability for 30 years as from the RIGI Inclusion Date. During such term, RIGI benefits may not be affected by the repeal of the Omnibus Law or the issuance of more restrictive regulations.

In terms of fiscal stability, taxes applicable to the SPV shall be those in force as of the RIGI Inclusion Date (as amended by the Omnibus Law). SPVs shall benefit from tax eliminations or reductions after the RIGI Inclusion Date. Tax stability shall not include the extension of regulations issued for a specific term existing prior to the RIGI Inclusion Date, termination of exemptions and exceptions due to the expiration of the applicable term, tax supervision systems, social contributions, or increases in the VAT rate. Finally, the SPV's shall have the right to reject any claims from the federal tax authority for tax payments exceeding the amounts payable by the beneficiary in accordance with the Law.

Regarding foreign exchange stability, the Omnibus Law states that regulations or restrictions that contradict the provisions of the law shall not be applicable to the SPV, who shall have the right to reject the application of such

restrictions by presenting the RIGI certificate of inclusion. In the event of a violation of the foreign exchange stability, the beneficiary will have the right to continue applying the provisions in force as of the RIGI Inclusion Date (as amended by the Omnibus Law) by notifying the Central Bank. If the Central Bank considers there is no violation before initiating a foreign exchange criminal proceeding, it must give the beneficiary the opportunity to identify the alleged violation to the RIGI, and the proceeding cannot

begin until this issue is resolved.

**Dispute resolution:** The Omnibus Law establishes international arbitration (PCA, ICC, or ICSID) as the dispute resolution mechanism available to RIGI beneficiaries and their shareholders for disputes related to RIGI. RIGI benefits are expressly recognized as protected investment for purposes of the bilateral investment treaties signed by Argentina.

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## PUBLIC HEARINGS REGARDING OFFSHORE PROJECTS

*Within the framework of the offshore hydrocarbon exploration permits awarded in 2018, different public hearings were called to discuss the Environmental Impact Assessment of certain offshore exploration projects.*

A public hearing took place on June 12, 2024, related to the project “Malvinas 3D Phase 2 – Exploración Sísmica 3D (Área MLO 123 y 124)”, which involves the offshore 3D Seismic data acquisition in the offshore blocks MLO\_123 and MLO\_124, located in the West Malvinas Basin. The hearing was called by means of Resolution N° 98/2024 and was carried out through a live session on YouTube.

In addition, by means of Resolution N° 56/2024 of the FSE, Public Hearing 2/2024 was called to submit to public consideration the Environmental Impact Assessment documentation corresponding to the “Argentina Sísmica 3D CAN 107 and CAN 109” project. The hearing took place on July 3, 2024, and was broadcasted on YouTube.

The hearings were called within the framework of the offshore hydrocarbon exploration permits awarded under the International Offshore Bidding Round N° 1 called through Resolution N° 65/2018 of the FSE. After awarding the offshore permits, the FSE and the former Ministry of Environment and Sustainable Development (currently, the

Undersecretariat of Environment, “UE”) issued Joint Resolution N° 3/2019, that establishes that, prior to commencing any activities, the permit holders must comply with the Environmental Impact Assessment Procedure (the “EIA Procedure”) and obtain an Environmental Impact Statement (“EIS”). The hearings were called to ensure public participation in connection with the environmental assessment of the relevant projects, as required by Decree N° 1172/03.

After the hearings, the EIA Procedure must continue until obtention of the EIS which involves: (i) the submission of the comments made by the permit holder regarding the concerns raised by the people in the public participation forum, and mandatory submission of the comments made by the FSE to the public participation forum; (ii) issuance of the Technical Reviewed Report by the UE; and (iii) issuance of the EIS by the UE approving or rejecting the project.



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## RATIFICATION OF THE LIQUEFIED PETROLEUM GAS SUPPLY CONTRACT BETWEEN YPF SA AND THE GOVERNMENT OF RÍO NEGRO

*The Government of the Province of Río Negro ratified an agreement with YPF S.A. for the supply of liquefied petroleum gas and a framework agreement to establish an appropriate mechanism for the supply.*

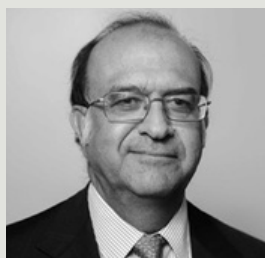
By means of Decree N°563/2024, dated June 13, 2024, the Government of the Province of Río Negro ratified: (i) the Liquefied Petroleum Gas Supply Contract executed with YPF S.A.; (ii) the Framework Agreement for the Provision of Bulk and Packaged Liquefied Petroleum Gas, Tanks, and other Accessory Installations necessary for the supply; and (iii) the sale of equipment and installations

related to the supply of liquefied petroleum gas. Pursuant to these agreements, YPF undertook to supply bulk and bottled liquefied petroleum gas (“LPG”) to the Province of Río Negro, including the supply of tanks and accessories on a loan basis for LPG storage. Additionally, YPF GAS will supply LPG in bottles/cylinders and offer related services and equipment. In accordance with the agreements, the Province shall be responsible for the maintenance of the facilities, and may request YPF GAS to perform specific repairs.

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