

# RENEWABLE ENERGY IN ARGENTINA

## New Regulatory Framework and Outlook 2016+



**Undersecretariat of Renewable Energy**  
**Ministry of Energy and Mining - MINEM**  
**Argentine Republic**

**New York and Washington DC Roadshow**  
**April 4-8, 2016**



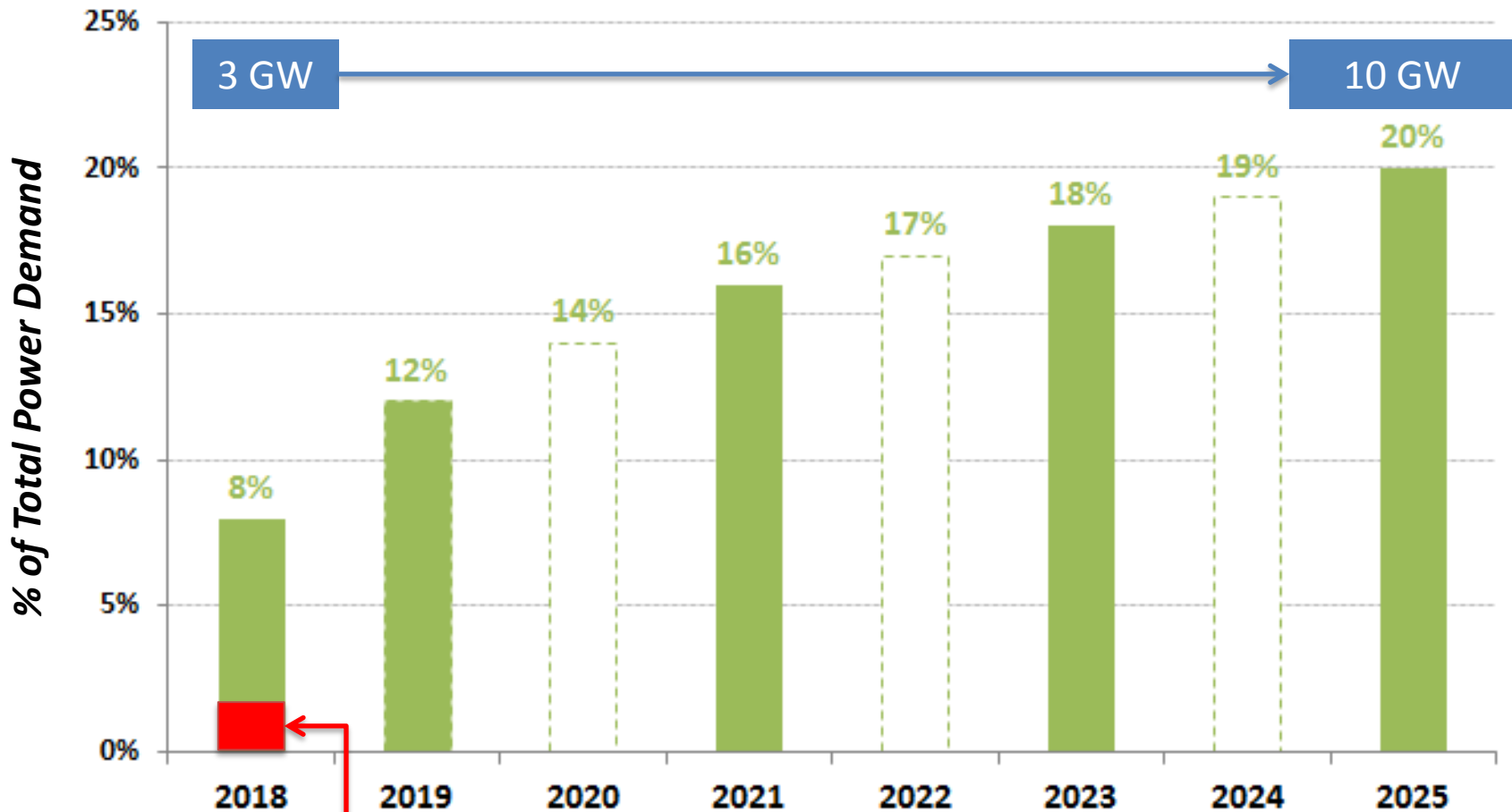
- **Complete Overhaul of the RE Regulatory Framework**
- **National RE targets to be achieved by 2018 (8%) and 2025 (20%) are mandatory to all types of consumers**
- **Improvements to the Regulatory Framework:**
  - **Competitive and transparent market rules** and contract mechanisms
  - Mandatory **pass-through** of PPA costs to consumers
  - Sector specific **trust fund** to provide PPA payment guarantees and debt financing to projects
  - Significant **fiscal incentives** to IPPs and local supply chain
- **Argentine RE Market Outlook**
  - Outstanding RE resources and project pipeline
  - First tender to be held in 2Q'16
  - 2-3 GW of RE capacity additions expected in 2017-18 time frame

# New RE Federal Act Sets A New Stage



- Federal Act N° 27 191 was passed in **September 2015**  
Despite the fact that the voting was held in the middle of a fierce presidential campaign and just 3 weeks prior to the elections date, the Act obtained **extraordinary multi-party support, that sets a strong base for long term sector stability**
- Legal mandates allow for a planned **long-term market development** and **provide visibility for investment**
- **Complementary regulation** and contracting rules under elaboration. **First tender planned for 2Q'16**
- **Project technical requirements** and preliminary tender rules to be released shortly
- **Argentina macro and sector specific improvements expected to boost investor interest in RE**

# RE Mandates to be observed by 2025



## Current Market Size

RE as % of Power Demand = 1,8 %  
RE Installed Capacity = 0.8 GW



- Improves and extends RE legal framework
- **Sets mandatory RE targets to be achieved by 2025 by all consumers** and instructs the Ministry of Energy and Mining (MINEM) to set the necessary mechanisms to achieve the mandates
- **Allows large consumers to source RE directly** from IPPs, traders, utilities or self-consumption projects
- Introduces **strong fiscal incentives to IPPs** to reduce PPA prices
- Introduces important **market and financial incentives for local supply chain** building; however, it does not set minimum inclusion of domestic goods rules
- Creates a **sector specific trust fund** (called “FODER”) funded by public funds, specific consumer charges, and public offerings and which is designed to provide **payment guarantees** and **project financing**

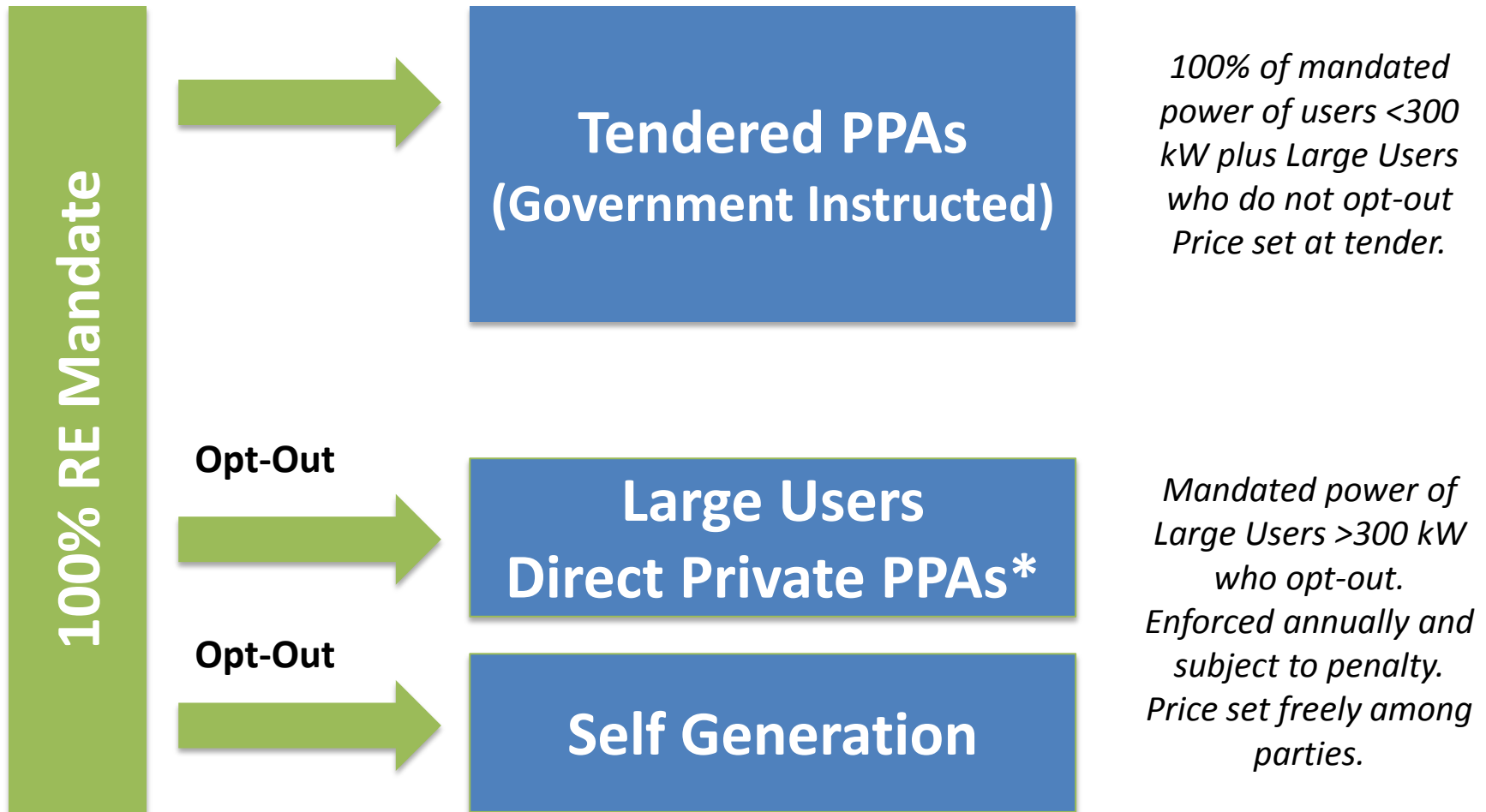


- **Exemption of Import Duties** for all projects starting construction prior to 12/31/2017
- **Accelerated Fiscal Depreciation** of applicable assets
- Advance VAT Return paid on pre-COD purchases
- **Exemption of Minimum Presumed Income Tax**
- **Exemption of Dividend Tax** (subject to re-investment in infrastructure)
- **Extension of Income Tax Loss and Credits to 10 years** (standard is 5)
- **Tax deduction of all financial expenses**
- **Tax Credit on locally supplied CAPEX**

**Tax benefits are stronger for projects starting prior to YE 2017 and decrease gradually over time to 2025**



- **MINEM will tender RE PPAs for 100% of mandatory target**
  - PPA costs will be rolled out to all consumers
  - Pre-qualified projects awarded at tender will have automatic access to tax benefits and FODER project financing and guarantees
  - Award rules will be set based on price and non-price criteria, including the inclusion of domestic goods, time to COD and amount of FODER financing requested
  - PPA terms to be determined (15+ years)
- **Large unbundled power users** (those with an average power demand greater than 300 kW) **may opt-out** of the roll out of tendered PPAs **and source RE directly** from IPPs, utilities, traders or self-consumption projects



*\* from IPPs, traders and utilities*



# Act N° 27 191 - RE Sector Specific Trust Fund



## FODER



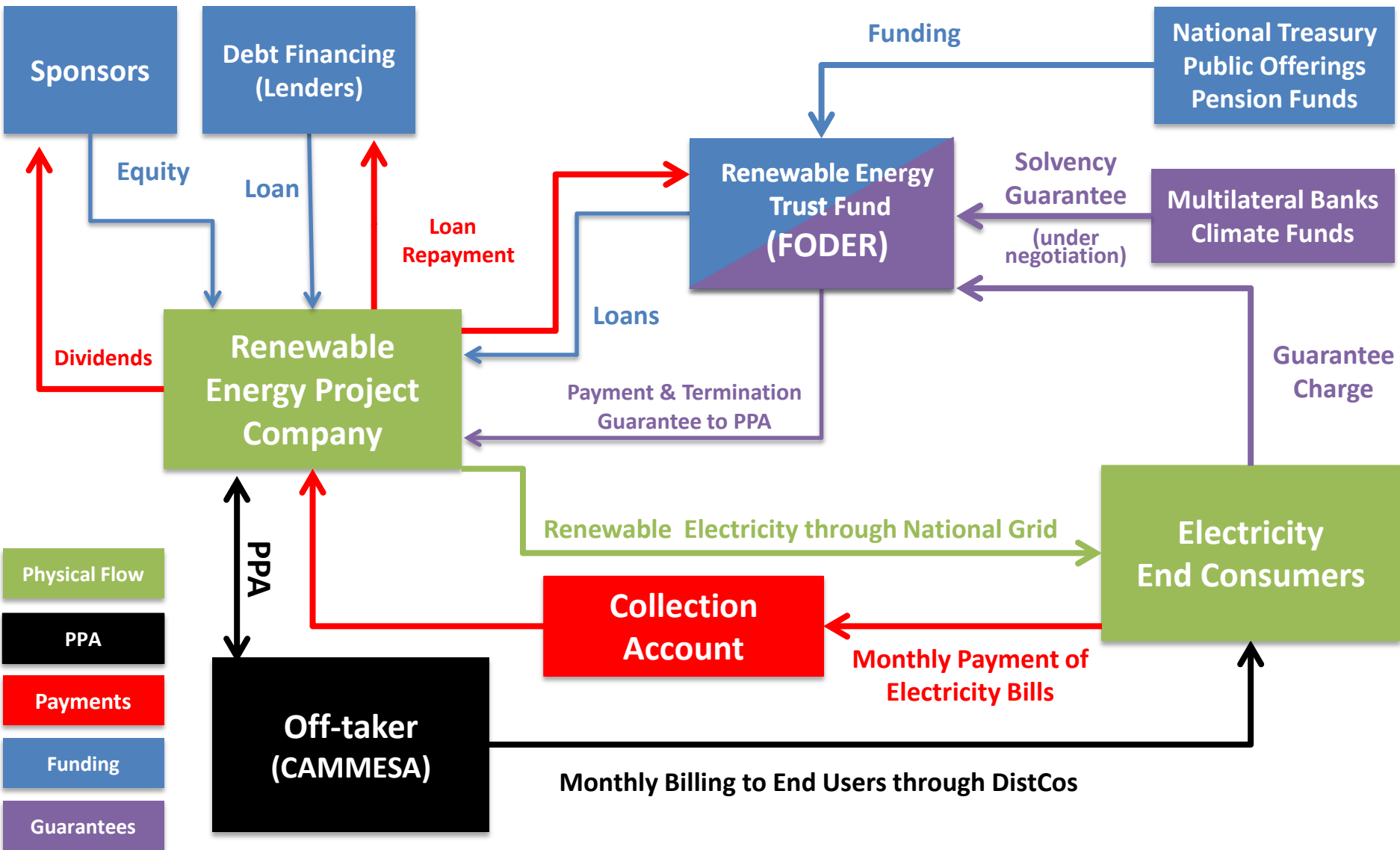


- **Incentive to Local Suppliers/Manufacturers**
  - FODER sector specific development credit line
  - Import duties exemption for equipment, parts and supplies
- **Incentives to IPPs who purchase locally**

Larger inclusion of domestic goods

  - Priority Access to FODER project financing
  - 20% Tax Credit on locally supplied CAPEX (subject to a minimum integration of 30% of project costs excluding civil works and others)

# Tendered PPAs - Cash Flows Diagram





**Thank you**



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