

Dentons Latin America and the Caribbean Energy Newsletter

Introduction

Welcome to the second edition of our Energy Newsletter, where we explore the key trends, opportunities, and regulatory developments shaping the energy sector across Latin America and the Caribbean (LAC). As a global leader in the legal profession, Dentons is proud to be present in almost every country across the region, offering unmatched expertise and insights to guide businesses and governments through the complexities of the evolving energy landscape.

The energy sector is critical in our current era of technological advancement, driving not only the global economy but also fueling the development of emerging technologies such as artificial intelligence. In recent years, Latin America and the Caribbean have attracted significant investments in renewable energy, with a growing focus on storage solutions to meet the increasing demand for cleaner, more efficient energy. Additionally, the region is witnessing an ongoing evolution in regulatory frameworks, presenting new opportunities and challenges for stakeholders across the energy industry.

At Dentons, we remain committed to guiding our clients through these exciting changes, leveraging our regional presence and in-depth industry knowledge to help them navigate the complexities of the energy transition.



Enrique Benitez

Latin America and the Caribbean
Energy Group Co-Leader



Enrique Barrios

Latin America and the Caribbean
Energy Group Co-Leader



Pauline Chiffelle Horsel

Partner
Santiago



Daniel Cristi

Senior Associate
Santiago

Electricity tariff subsidies and PGMD plants under scrutiny

PGMD plants (power generating plants of up to 9MW each) have been under the authorities' scrutiny for some time now. The foregoing, among other reasons, because on August 26, 2024, the Government submitted to the Chamber of Deputies, the draft bill bulletin No. 17064-08, through which modifications were proposed to the transitory electricity subsidy created in 2024 under Law 21.667, which was intended to reduce the impact of the increase in electricity tariffs on lower income regulated customers (customers with contracted power less than or equal to 5kW).

It should be recalled that Chilean electricity regulation contemplates a competitive system among private generating companies, which seeks to obtain sufficient energy to supply the demand at the minimum cost, preserving the safety of the service. In turn, it establishes that electricity distribution companies must supply regulated customers at tariffs set by the authority, based on the sale price between generating companies plus certain surcharges set annually. Therefore, Chilean legislation in force since 1982 has normally not contemplated subsidies for the payment of electricity bills.

However, this scenario changed radically in 2019, when a bill of law was passed that froze the rates for regulated (residential) customers in consideration of the prevailing political and social context in Chile. This implied that the generating companies had to make a forced loan to the distributors to postpone the increase in tariffs for regulated customers and caused the accumulation of a debt that would be collected later through future tariffs to customers, establishing maximum debt limits. Thus, the first of these funds amounted to US\$1,350 million,

which was exhausted earlier than expected. Then, in 2020, in consideration of the impact of the pandemic, through a series of legal modifications, the freezing of tariffs was extended, increasing the debt with the generators, which at the beginning of 2024 amounted to some US\$ 6,000 million. Such situation compelled to bringing the tariffs charge into line with real electricity tariffs.

Naturally, in the absence of any intervention, as prices were liberalized as of 2024, the situation described above would have implied a substantial increase (close to 100%) in the amount to be paid by regulated customers. For such reason the Government found necessary to progressively unfreeze the tariffs and seek alternatives to mitigate the impact of the tariff liberalization on the lower income sectors. To this end, the transitory electricity subsidy referred above was approved in 2024. As expected, it was deemed insufficient after a few months.

For this reason, the Government submitted to congress another bill of law to expand the electricity subsidy, establishing additional financing mechanisms to support such expansion. Among these mechanisms, the bill of law contemplates the application of a charge to the payments to be made by the system for stabilized price compensation to the PMGD.

This modification presents an extremely relevant regulatory dilemma for the system, since -according to available information- the proposed modification would affect 72% of the PMGD (around 557 existing projects) and would generate an average reduction in their income of around 30%. This could jeopardize the viability of several projects PMGD, a situation that could have a significant long-term impact on the national energy system.

To date, this bill is still advancing in the National Congress. Hopefully, the cure will not be worse than the disease.



**Fernando Jiménez
de Aréchaga Jr**

Partner

Montevideo



Alfredo Arocena

Senior Associate

Montevideo

Uruguay plans its electric expansion for the next two decades

The Ministry of Industry, Energy and Mining (MIEM) presented the “Indicative Plan for the Expansion of the Electricity Generation Park 2024–2043”, a study aimed at ensuring the country’s energy supply over the next 20 years. The report analyzes different demand and generation scenarios, identifying the need to incorporate new renewable sources and backup to sustain the growth of the system.

The report may serve as a key input for energy sector stakeholders when making future strategic decisions.

Demand growth and evaluated scenarios

The study forecasts that electricity demand will continue to rise, reaching 14,000 GWh per year by 2035, exceeding current supply limits and therefore requiring new generation sources.

Incorporation of renewable energies

The report confirms the need to expand renewable generation starting in 2025, with the incorporation of solar and wind farms. Among the scenarios evaluated, solar generation is expected to grow earlier than wind, eventually reaching a 2:1 ratio between the two technologies in the long term.

In addition, hydroelectric generation is projected to maintain its absolute contribution, although it will decrease in relative weight within the energy matrix.

Role of thermal backup and storage

Despite the push for renewables, the plan emphasizes the importance of having thermal backup to cover demand peaks. The inclusion of gas turbines from 2032 was studied in the higher consumption scenarios.

The possibility of integrating battery storage into the system was also analyzed. This could delay the need for thermal generation by four years and reduce costs. However, access to this technology at competitive prices in Uruguay still presents challenges.

Impact on costs and system security

The economic analysis indicates that incorporating renewable generation is cost-effective, especially solar from 2025 and wind from 2030. The impact on the system’s marginal cost was also assessed, showing it would remain stable due to the dominance of renewable energy, with variations depending on hydrological conditions.

Here’s the [link](#) to the full report



Emil Jung
Senior Associate
Santa Cruz

New Fuel Supply Restrictions in Bolivia: Supreme Decree No. 5400

Amid an ongoing foreign currency shortage and increasing fiscal pressure, the Bolivian government has enacted Supreme Decree No. 5400, introducing targeted restrictions on the access to subsidized gasoline and diesel for vehicles equipped with Natural Gas Vehicle (NGV) systems. Although framed as a technical regulatory measure, the Decree is part of a broader strategy to limit the financial burden of fuel subsidies, which currently exceed USD 1.5 billion annually for the national treasury.

The regulation introduces a consumption cap, to be defined by the Hydrocarbons Regulatory Agency (ANH), beyond which dual-fuel NGV vehicles must purchase gasoline or diesel at international market prices. The Decree also imposes strict operational and technological requirements on service stations, including real-time data transmission and compliance with authorized systems. Violations may result in monetary sanctions of up to 40,000 UFV (approximately USD 12,000).

Beyond its immediate operational effects, the Decree signals a gradual withdrawal of the State from its historical energy subsidy policy. This regulatory shift could mark the beginning of a broader transformation in Bolivia's energy framework, with potential implications for upstream investment planning, contract structures, and resource allocation strategies.

At Dentons Bolivia, we are closely monitoring the implementation of this Decree and its regulatory developments. We encourage clients in the hydrocarbons sector to assess the potential impact of this evolving landscape as part of their legal risk assessments and compliance planning.



Pedro G. Seraphim
Partner
São Paulo



Camila Teixeira Fortes
Associate
São Paulo

Brazil – new power transmission projects coming up

An auction for electricity transmission concessions in Brazil, requiring investments of approximately USD 1.36 billion), is scheduled to take place in October 2025.

According to the preliminary version of the Auction Notice No. 4/2025, ANEEL (the Brazilian power sector regulatory agency) plans to grant concessions for up to 11 lots, in an aggregate of 1,178km of lines, distributed across 13 states. Depending on the lot, construction is expected to last from 42 to 60 months, while the concessions will be granted for 30 years .

During the auction, bidders will submit proposals for the so-called Allowed Annual Revenue (*Receita Anual Permitida – RAP*), and the concession will be awarded to the bidder offering the lowest RAP, provided all qualification requirements are met.

Lot No. 7 is probably the most relevant in this round, as it involves the construction of nearly 35 kilometers of underground transmission lines and of a 345/88kV substation, an estimated investment of USD 220 million. However, inclusion of Lot No. 7 is still subject to a decision by the Ministry of Mines and Energy to terminate the contract with the current concessionaire who allegedly failed to implement the project.

The preliminary Auction Notice is currently under review by the Brazilian Federal Audit Court and its final version is expected to be published by September 23.

Given Brazil's growing energy demand and its diversified energy matrix, transmission projects offer compelling investment opportunities for international stakeholders. The Brazilian regulatory framework for transmission projects provides long-term concessions with stable and predictable revenue streams, enhancing profitability and reducing risks for both domestic and foreign investors.



María Paula Morelli
Counsel
Buenos Aires

Major Reforms to the Electricity Regulatory Framework under Decree 450/25

On July 7, 2025, Decree 450/2025 was published in the Official Gazette under the delegated authority of the Bases Law, amending Electricity Laws 15,336 and 24,065. The decree introduces both structural reforms and technical adjustments, accompanied by a 24-month transition period to align implementing regulations. While several provisions are aimed at reorganizing and consolidating existing frameworks, certain measures—highlighted below—stand out for their potential impact on the electricity market.

1. New Participants in the Wholesale Electricity Market (MEM)

The MEM framework incorporates new market participants:

- User-generators: parties covered by the distributed-generation regime under Law 27,424.
- Participants designated by regulation, including marketers and storage operators.

For these purposes, a “marketer” is an entity that purchases or sells electricity on behalf of third parties. Article 8 bis further defines the “storage operator” (almacenista) as the owner of energy-storage facilities in the electricity market, authorized to trade its energy in the MEM as both a seller and a buyer. “Storage,” in the power-system context, means any commercially available technology capable of absorbing energy, retaining it for a period of time, and subsequently delivering it back into the system.

2. Compulsory Term Contracting by Distributors

Article 9 of Law 24,065 requires every distributor that participates in the Wholesale Electricity Market to procure at least 75% of the energy used to serve regulated customers under term contracts (e.g., power-purchase agreements), rather than relying on the spot market. At either party's request, the agreed contract price may be reported together with the Seasonal Price. This obligation applies to all distributors, whether under national or provincial jurisdiction. The resulting purchase costs must be recognized in end-user tariffs: for national concessionaires, Article 40(c) expressly includes both spot purchases and the weighted-average price of term-market contracts; provinces that adhere to Law 24,065 are expected to mirror that treatment.

3. Transmission Expansion and Financing

Past concession contracts prioritized operation and maintenance, while transmission expansion consistently trailed demand. The decree establishes two mechanisms to remedy this capacity shortfall:

- Article 28 bis authorizes the Secretariat of Energy, when a transmission project is “technically and economically essential” to meet public-service needs, to require the relevant concessionaire to undertake it—without impairing the concession’s normal operation—and to recognize the project’s cost in the tariff schedule.
- Article 31 bis, in turn, allows expansions carried out at the executor’s own initiative and risk, with specifics to be set by regulation; those rules are expected to address, among other matters, priority-of-use rights for the executor, potential application of the public-works-by-toll framework under Law 17,520, remuneration mechanisms, and allocation of costs to beneficiaries or other system users.

4. Liability of Granting Jurisdictions for Local Distributors’ Debt

A persistent issue in recent years—which distributors attribute to tariffs that fail to cover their aggregate costs—has been late payments on wholesale energy invoices owed to CAMMESA. Over time, the National Government has implemented successive debt-regularization programs (most recently under Decree No. 186/95) and absorbed the resulting revenue shortfalls.

To address this longstanding problem, Decree 450/25 amends Article 71 of Law 24,065 with a rigorous compliance mechanism: it imposes joint and several liability for these debts on the Provinces, the Autonomous City of Buenos Aires, municipal granting authorities, and the directors of their regulatory agencies when the late payments are “a consequence of any jurisdiction’s failure to comply with the terms of its adherence to this law in accordance with Article 77” (e.g., revenue insufficiency caused by tariffs that do not provide a reasonable opportunity to recover service costs, including wholesale energy).

- In short, this liability is triggered when:
 - (i) the jurisdiction has adhered to Law 24,065 under Article 77; (ii) it fails to comply with any term of that adherence; and
 - (iii) late payments occur on obligations to the Wholesale Market, which CAMMESA collects.
- The same consequence, on the same conditions, applies when “the operation of the MEM is affected” (Article 71).

5. Transition Period and Powers of the Secretariat of Energy

Finally, Decree 450/25 provides a 24-month transition, starting on its effective date, to update implementing rules. During this time, the Secretariat of Energy must guide a gradual and orderly shift toward the objectives of Law 24,065. To that end, it will: (i) promote competition in fuel supply for power producers and prevent dominant positions; (ii) enforce effective collection guarantees and normalize distributor payments; (iii) set thermal-generation remuneration that encourages efficient procurement of natural gas (NG), liquefied natural gas (LNG), gas oil, and fuel oil; (iv) progressively transfer to distributors and large MEM users the electricity purchase agreements currently held by CAMMESA; (v) transfer to MEM suppliers the fuel-purchase agreements entered into by CAMMESA; and (vi) review the “Procedures” (Resolution No. 61/1992, as amended) to repeal or time-limit rules during the transition.

Key Contacts

**Enrique Barrios**

Partner, Bolivia
Energy Sector co-leader
D +591 33433594
enrique.barrios@dentons.com

**Enrique Benítez**

Partner, Chile
Energy Sector co-leader
D +56 2 2411 9200
enrique.benitez@dentons.com

**Ricardo "Billy" Balestra**

Partner, Argentina
D +54 11 4010 5030
ricardo.balestra@dentons.com

**Michael R. Rattagan**

Partner, Argentina
D +54 11 4010 5001
michael.rattagan@dentons.com

**Jorge Inchauste**

Partner, Bolivia
D +591 2 2770808
jorge.inchauste@dentons.com

**Rodrigo Vella**

Managing Partner, Brazil
D +55 11 2117 3450
rodrigo.vella@vpbg.com.br

**Antônio Carlos Guidoni Filho**

Partner, Brazil
D +55 11 2117 3435
antonio.guidoni@vpbg.com.br

**Gabriella Maranesi Najjar**

Partner, Brazil
D +55 11 2117 3475
gabriella.najjar@vpbg.com.br

**Pedro Seraphim**

Partner, Brazil
D +55 11 2117 3414
pedro.seraphim@vpbg.com.br

**Dustin D.P. Delany**

Dentons Delany Chair
and Chief Managing Partner*
D +1 246 228 2260 / D +1 876 332 1000
dustin.delany@dentons.com

**David Dinner**

Managing Partner, Cayman Islands
D +1 345 745 5001
david.dinner@dentons.com

**Arturo Zacapa**

Managing Partner, Honduras
D +504 2232 5551
arturo.zacapa@dentons.com

**Luis Abundio Maldonado**

Managing Partner, Guatemala
D +502 2505 9651
luisabundio.maldonado@dentons.com

**Edgar Torres**

Managing Partner, Nicaragua
D +505 2298 2400
edgard.torres@dentons.com

**Eduardo Zúñiga**

Managing Partner, Costa Rica
D +506 2503 9899
eduardo.zuniga@dentons.com

**Pauline Chiffelle**

Partner, Chile
D +56 2 2411 9200
pauline.chiffelle@dentons.com

**José Manuel Larrain**

Managing Partner, Chile
D +56 2 2411 9200
josemanuel.larrain@dentons.com

**Bernardo Cárdenas**

Managing Partner, Colombia
D +57 1 746 7000 ext. 219
bernardo.cardenas@dentons.com

**Santiago González**

Partner, Colombia
D +57 1 746 7000
santiago.gonzalez@dentons.com

**Jorge Neher**

Partner, Colombia
D +57 1 743 9370
jorge.neher@dentons.com

*Dentons Delany serves clients in Anguilla, Antigua and Barbuda, Barbados, British Virgin Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago.



Jorge Paz Durini
 Founding Partner, Ecuador
 D +593 2 398 2900
jorge.paz@dentons.com



Juan Carlos Pérez
 Partner, Ecuador
 D +593 2 398 2900 ext. 5313
juancarlos.perez@dentons.com



María del Mar Heredia
 Legal Director, Ecuador
 D +593 2 398 2900
maria.heredia@dentons.com



Gabriel Santelices
 Partner, Ecuador
 D +593 2 398 2900
gabriel.santelices@dentons.com



Rogelio López Velarde
 Managing Partner, Mexico
 D +52 55 3685 3334
rogelio.lopezvelarde@dentons.com



Jorge Jiménez
 Partner, Mexico
 D +52 55 3685 3333
jorge.jimenez@dentons.com



Amanda Valdez
 Partner, Mexico
 D +52 55 3685 3344
amanda.valdez@dentons.com



Manuel Barrios
 Managing Partner, Peru
 D +51 1 208 4200
manuel.barrios@dentons.com



Max Carneiro
 Partner, Peru
 D +51 1 208 4200
max.carneiro@dentons.com



Fernando Jiménez de Aréchaga Jr
 Partner, Uruguay
 D +598 2916 1460 ext. 108
fernando.jimenez@dentons.com



Sergio Casinelli
 Partner, Venezuela
 D +58 212 276 0021
sergio.casinelli@dentons.com



Daniela Jaimes
 Partner, Venezuela
 D +58 212 276 0023
daniela.jaimes@dentons.com



Natalija Vojvodic
 Partner, Venezuela
 D +58 212 276 0020
natalija.vojvodic@dentons.com

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