Latin America and the Caribbean Energy

Introduction

Welcome to the first 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. 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.

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Resolution 21/2025: changes in the regulation of the Argentine electricity market

On January 28, 2025, the Secretariat of Energy issued Resolution 21/2025, introducing significant changes to the regulation of the Argentine wholesale electricity market. This measure represents a shift in sector policy, focusing on the liberalization of supply contracts and reducing state intervention in energy management.

Key Modifications

- **New rules for energy contracting:** Large consumers are now authorized to enter into power supply contracts with thermal, hydro, and nuclear generators, ending the exclusive purchasing obligation from CAMMESA imposed since 2013.
- **Autonomy in fuel procurement:** Beginning in March, thermal generators without PPA contracts with CAMMESA will be allowed to manage their own fuel supply, potentially impacting cost structures and energy dispatch priority.
- **Reconfiguration of the term market:** The elimination of the Energy Plus Service regime, in force since 2006, will require market participants to renegotiate their contracts and adjust their energy purchasing schemes.
- **Modification in gas regulation for power generation**: Resolution 354/2020 is repealed, limiting CAMMESA's role in gas procurement and allocation under the Gas.Ar Plan, thereby fostering greater competition in the gas market for power generation.

These measures reflect a new approach by the Secretariat of Energy aimed at advancing market deregulation and reducing state intervention, particularly through CAMMESA, in electricity supply planning. However, the effective implementation of these changes will depend on complementary regulations expected to be issued in the coming months. In this context, market participants must assess the impact of these reforms on their contracting and operational strategies.

Emil Jung
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Draft bill to reactivate the upstream sector

At a time when hydrocarbon production could be crucial to face the economic crisis that Bolivia is going through, all sectors (Government, investors, stakeholders, etc.) seem to agree that urgent and substantive amendments must be made to the current legislation on hydrocarbons.

In this context, the Bolivian congress received, in November 2024, the "Draft Bill on the Reactivation of Hydrocarbon Exploration and Exploitation". A proposal, made by none other than the Bolivian president, that aims to provide incentives and legal certainty for investments in the upstream sector.

Below, we highlight the aspects that we consider most important with respect to this legislative project:

- Scope of time of the condensate-related incentive: Said incentive (between 0 - 30 USD per BBL), that was stablished by article 9 of law 767, will be applicable for an additional 10-year period. Namely, until 2035.
- Incentive to produce natural gas: Through the allocation of 1 USD per MCF of natural gas produced for the domestic market. Additionally, volumes produced in excess of the already promised ones, will be benefited with 2 USD per MCF.

- Incentive for the drilling of exploratory wells: Which will consist of the return of the value of the Exploration Work Units (UTEs, by its acronym in Spanish) that correspond to depth of the well, in the event that said well is not commercially viable, due to technical and economic factors.
- Possibility of extending Exploratory Phase III: In case that exploratory activities are underway and with the objective that the operator concludes with the budgetary and operational execution of the project.
- Approval of contracts though a single law: Aiming to end the long-standing debate on whether upstream contracts require one or two laws, issued by the congress, to became legally valid.
- Deductions to the Corporate Profits Tax: Which will allow corporations that reinvest, at least, 75% its profits, to deduct the losses generated in the past 10 years from said amount, for the purposes calculating the Corporate Profit Tax.

Although the measures listed above seem to be favorable for the sector, for the moment we can only wait to see if the project effectively becomes a law. Also, it will be worth paying attention to the regulations that could come from the project, since the practicality and effectiveness of it could depend on them.

If you would like to read the full text of the bill (in Spanish), you can do so **here**.

Constanza Kulikoff
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Publication of the energy transition law, which amends the general law of electric services regarding electric transmission

On December 27, 2024, the Energy Transition Law was published in the Official Gazette, which amends the General Law of Electric Services, hereinafter "LGSE", regarding electric transmission.

The main objective of the new regulation is to encourage the process of decarbonization of the energy matrix, seeking to correct delays in the development of transmission works that have affected productive areas, recognizing that expansion works are urgent and necessary for the National Electric System ("SEN "[1]), with special emphasis on the Ñuble Region.

In summary, the changes introduced by this new regulation consist of the following five measures:

1. Transfer of the bidding processes for national and zonal transmission expansion works from the National Electric Coordinator to the owners of the electrical works.

Through the substitution of Article 95° of the LGSE, the expansion works set by the Ministry of Energy in the Transmission Expansion Decrees and in the Decrees of Necessary and Urgent Works that are excluded from the transmission planning process, will be tendered and awarded by the owner of the works subject to expansion.

In addition, the owner must prepare the bidding conditions, safeguard the bidding procedures and the execution of the works, among other aspects. The above, without prejudice to the oversight work to be carried out by the National Electric Coordinator ("CEN").

1 For its acronym in Spanish.

2. Incorporation of a system for reviewing the investment value of expansion works.

With the incorporation of the sixth, seventh and eighth paragraphs of Article 99 of the LGSE, in the event of early termination of the contract awarded for the execution of an expansion work, the owner of the works may request the CEN to review the investment value considered in the award.

For this purpose, the request must be justified, based on serious and qualified causes, which may not be attributable to the owner of the works. The request must include a proposal of the investment value of the work, the calculation methodology and the background supporting the proposed value, among other aspects.

3. Case of Urgent and Necessary Works

By incorporating a new article 91 bis to the LGSE, the Ministry of Energy may, by means of an supreme decree issued "by order of the President of the Republic", order the execution of transmission expansion works corresponding to New Works and Transmission System Expansion Works that must be excluded from the transmission planning process because they are necessary and urgent for the SEN.

4. Modifications to the Zonal Transmission System

With the modification of the seventh paragraph of article 87° of the LGSE, through the modification of the corresponding regulation, differentiated criteria may be established for the expansion of zonal transmission systems, according to the systemic impact, capacity, geographic location, presence of customers, generation means and storage systems that make use of the transmission system, among other technical criteria.

5. Modification of the tariff revenue allocation mechanism

By amending Article 115 of the LGSE, for the final determination of the charge for the use of zonal transmission systems, the payments already made by the companies owning the generation works and storage systems, for the use of the same facilities must be deducted.

Additionally, the customers of the transmission systems and the respective owners of the means of generation or storage systems, in the proportion determined by the future regulation, will be responsible for the costs of the expansions of the zonal transmission works whose purpose is to supply the present or future demand requirements of customers connected to such works.

Ministry of energy decreases the installed capacity limit to qualify as a "free client"

By means of Resolution No. 58, published in the Official Gazette on December 9, 2024, the Ministry of Energy has established a reduction in the installed capacity limit to qualify as a free client.

By the aforementioned resolution, the authority has modified article 147 literal D) of the General Law of Electric Services, hereinafter "LGSE", in the sense of decreasing the limit for companies to opt between a regulated tariff regime or free price, from a connected power of 500 kilowatts to 300 kilowatts, per connected power[2] associated to the supply of each end user.

Among other considerations, the minimum period of permanence in each regime is maintained at 4 years, as well as the 12-month prior term for the interested party to notify the respective distribution concessionaire of the respective option.

Finally, it is recalled that the only enabling condition required by the legislator to the Ministry of Energy to lower the limit indicated was a favorable report from the Court for the Defense of Free Competition, which was previously obtained on November 27, 2024, and concluded that "the request made by the Ministry of Energy does not generate substantial risks to competition. Consequently, it is reported favorably"

2 Modification introduced by Resolution No. 10 of the Ministry of Energy, dated January 31, 2025.

International center for settlement of investment disputes (ICSID) partially accepts the claim filed by interconexión eléctrica S.A. against the republic of Chile

By means of an arbitration award dated December 13, 2024, the International Center for Settlement of Investment Disputes, hereinafter "CIADI[3]", partially accepted the claim filed by Interconexión Eléctrica S.A., hereinafter "ISA", against the Republic of Chile.

The dispute originated in the construction and start-up of the high voltage electric transmission lines called "Nueva Línea Cardones - Maitencillo 2x500 kV", "Nueva Línea Maitencillo - Pan de Azúcar 2x500 kV" and the "Nueva Línea Pan de Azúcar Polpaico 2x500 kV", all of which are part of the 753 km long Cardones - Polpaico Project, hereinafter the "Project".

Through the lawsuit, ISA alleged that the Republic of Chile, for improper and contradictory reasons, had imposed fines and executed surety bonds in an arbitrary manner.

In more detail, the plaintiff argued that the Republic of Chile had committed a violation of the Free Trade Agreement signed between Chile and the Republic of Colombia, hereinafter the "Treaty", and demanded compensation amounting to USD 235,000,000.

For its part, the Republic of Chile denied the breach of the Treaty, arguing that the actions of its authorities had been in compliance with the Chilean legal framework, and that the exclusivity of the benefits of the Project had been awarded to the claimant, therefore, the totality of the risks had also been assumed by it.

Finally, CIADI considered the claimant's excuses to justify the delay of the Project to be inadmissible and rejected its allegations of alleged violations of the Treaty, with the exception of the violation of Article 9.4 thereof, caused by the lack of motivation of the Resolution No. 1 of the Ministry of Energy, which should have considered as force majeure or fortuitous event the acts of vandalism that occurred in the "La Dormida" property by the Community of the same name, which violently opposed to allow entry to it, and the sabotage to the junction box of a tower of the Project.

Therefore, CIADI only partially accepted the claim and ordered the Republic of Chile to pay ISA the proportional part of the fine that it had been charged for the delay in the entry into operation of the Project, corresponding to the 92 days of delay caused by acts not attributable to ISA, amounting to USD 16,094,120.00, and ordered ISA to assume its own representation costs, 80% of the costs incurred by Chile and 80% of the costs of the arbitration.

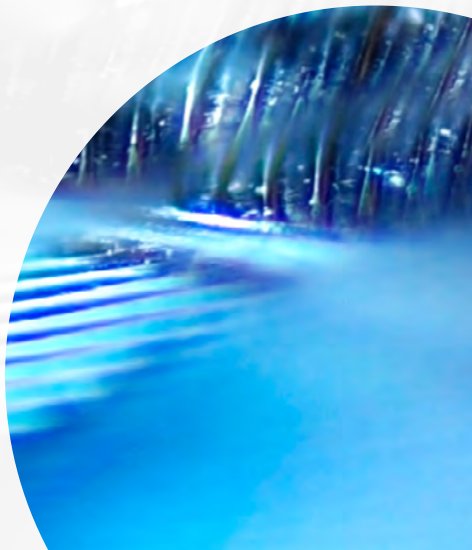
Chilean government publishes "national data center plan" for the period 2024-2030

On December 9, 2024, the Ministry of Science, Technology, Knowledge and Innovation presented the National Data Center Plan, hereinafter "PDATA".

As announced, the PDATA has been prepared by the Chilean Government in conjunction with companies and social and environmental organizations, in order to ensure investment and planned growth of the industry.

To this end, over a 6-year horizon (2024-2030), the authority proposes the following measures:

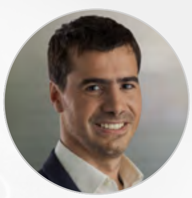
1. Digital tool for organic and balanced growth of the industry.
2. Guide to critical permits for the construction of Data Centers.
3. Criteria for environmental assessment of projects



3 For its acronym in Spanish.

4. Promotion of Clean Production Agreements for Climate Change.
5. Promotion of shared state multi-cloud services.
6. Development of strategic competencies for the industry
7. Installation of AI campuses.
8. AI computing capacity for R&DMulti-stakeholder committee to follow up and update the Plan.

Finally, it is reported that this initiative responds to the fact that the country has become a pole of attraction for the establishment of this type of project. According to the authority's words, among the country's conditions that stand out for its development are: having low-cost and abundant renewable energy; having one of the best optimal fibers in the world; having more than 3.8 million devices connected to the 5G network; and enjoying political stability, temperate climate and adequate operating conditions.



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Uruguay's first green hydrogen project is announced

In October 2024, the Uruguayan Ministry of Industry, Energy and Mining announced the construction of the first green hydrogen plant in Uruguay. The plant will be located in the department of Río Negro, next to the city of Fray Bentos, and the initial investment amounts to USD 36 million approx. The plant is expected to start operations in 2026.

The project is financed by Banco Santander, who is advised by Dentons Jiménez de Aréchaga, and the sponsors of the Project are three local companies, namely, Ventus, Fidocar y Fraylog.

The project includes the implementation of a modular hydrogen plant, of reduced scale, integrated by a 4.8-megawatt peak (MWp) photovoltaic system, a 2-megawatt (MW) PEM electrolyser, with an estimated annual production of 76,700 kilograms of hydrogen, and a hydrogen station for the storage and supply to six trucks.

The hydrogen generated by the process will be stored at high pressure and supplied to the trucks at a station (HRS) that is planned to be installed next to the production plant. The mentioned vehicles will be used for the transportation of wood logs from Montes del Plata forestry, with a range of 700 kilometers and a charging time of 12 minutes.

HIF Global signs an implementation agreement with ANCAP for the supply of biogenic co2 in connection with its hydrogen production plant

In December 2024, HIF Global signed an Implementation Agreement with state-owned oil company Ancap, by which HIF will be supplied by ALUR (a subsidiary of ANCAP) with biogenic CO_2, which the company requires for its green hydrogen production plant.

This marks a new milestone for HIF's announced project of constructing a green hydrogen and synthetic fuels plant in Paysandú department, Uruguay. In case the project is implemented, it will become the largest private investment in Uruguay's history with an estimate of USD 6,000 million, and the plant will produce an estimate of 700,000 tons of renewable fuels annually.

Through the signing of the Implementation Agreement, ALUR will sell 150,000 tons of biogenic carbon dioxide produced at its Paysandú plant to HIF. The plant is expected to require a total of 900,000 tons of biogenic carbon dioxide approximately.

Pluspetrol acquires its first renewable asset in Uruguay

In December 2024, the Argentinean energy company Pluspetrol announced the acquisition of the Cerro Grande and Peralta I and II wind farms in Uruguay from DIF Infrastructure V and DIF Infrastructure VI funds, managed by CVC DIF.

According to the announcement, these wind farms constitute the second largest private renewable power generation portfolio in Uruguay. Located in the departments of Tacuarembó and Cerro Largo, they feature 72 Enercon E-92 wind turbines, with a total installed capacity of approximately 170 MW. The infrastructure provides sustainable energy to approximately 60,000 Uruguayan households, representing an annual reduction of around 25,000 tons of CO2 considering Uruguay's energy grid matrix.

The company's announcement further states that acquisition of these wind farms marks Pluspetrol's first step into the renewable power generation sector and forms part of its strategy to diversify and invest in sustainable energy sources.

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BpECL and the National Gas Company of Trinidad and Tobago work together for the development of gas fields in Venezuela and Trinidad

bpECL and the National Gas Company of Trinidad and Tobago (NGC) have formed a strategic partnership to advance the development of gas fields in both Venezuela and Trinidad. Bp and NGC are working together to explore and extract natural gas from the Venezuelan side of the Manakin-Cocuina field, a resource-rich area that is estimated to contain at least 1 trillion cubic feet of gas reserves. The project is structured within a unitization agreement, whereby 66% of the discovered gas resources have been allocated to Trinidad and Tobago and the remaining 34% to Venezuela. This collaboration represents a significant milestone in cross-border energy cooperation, as it brings together expertise, infrastructure, and investment from both nations to optimize resource extraction and economic benefits.

A crucial step in moving forward with the project was obtaining the necessary regulatory approvals. In early 2024, bpECL and NGC secured a license from the United States Treasury Department, allowing them to engage in gas development activities within Venezuela. Following this, in July 2024, the Venezuelan government granted formal authorization for the exploration and production of the Cocuina block, marking a pivotal moment for the nation's energy sector. This partnership is expected to play a crucial role in mitigating gas shortages in Trinidad and Tobago, which has faced supply challenges in recent years due to declining domestic production. At the same time, Venezuela sees this initiative as a key opportunity to further develop its national gas industry, attract foreign investment, and enhance regional energy integration. The successful execution of this project could pave the way for further collaborations between Venezuela and Trinidad and Tobago, reinforcing their positions as important players in the global energy landscape.

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