

RenovAr 2

***Renewables in
Argentina***
*Opportunities in a new
business environment*





A second opportunity for renewable energies in Argentina

Argentina is a country with important natural resources for the generation of wind and solar energy. Although there were prior laws, Law No. 27191 was published in 2015 and establishes that these energies should reach 20% of the energy matrix by 2025. Subsequently, Decree No. 531/16 set in more detail the objectives of the law and how to achieve them. This is a great challenge, since current renewable energies only account for approximately 2% of total energy consumption.

To achieve this goal, the Government launched the plan RenovAr including regular public bidding processes in which different companies present their investment projects and the price at which they are willing to sell their capacity. CAMMESA (Compañía Administradora del Mercado Mayorista Eléctrico) administers these long-term agreements (PPA), which are stated in US Dollars.

The first stage of the bidding processes RenovAr 1, (subsequently complemented by RenovAr 1.5) which took place at the end of last year has been successful as 59 projects were awarded for more than 2400 MW. But the great interest in Argentina is shown not only by these awards but also by the total bids received which exceeded 6200 MW.

The second stage of the bidding process was launched a few weeks ago and the presentations will be made in October 2017. The interest shown by investors from our country and abroad makes us foresee that the bidding process will be successful and that bids highly superior to the Government's award commitment will be received.

This second stage has some features different from the first one and, for this reason, we have prepared this report for the potential interested parties.

We hope you find it useful.



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RenovAr 2: A second chance to take part in renewable projects in Argentina

On August 16, 2017, the Argentine Ministry of Energy and Mining adopted Resolution No. 275/17 as regards the call for tenders for renewable energies.

At this stage, 1200 MW will be awarded for use in the following technologies: 550 MW to wind energy initiatives; 450 MW to photovoltaic (solar) energy; 100 MW to biomass; 50 MW to small hydroelectric power plants; 35 MW to biogas; and 15 MW to sanitary landfill biogas.

These awards will be made by regions in accordance with the following detail:

- Wind energy: 200 MW for Comahue, Patagonia and Buenos Aires (with a maximum of 450 MW in total) and 100 MW for the rest of Argentina.
- Solar: 200 MW for NOA (Argentina's Northwest) and Cuyo (with a maximum of 350 MW) and 100 MW for the rest of Argentina.

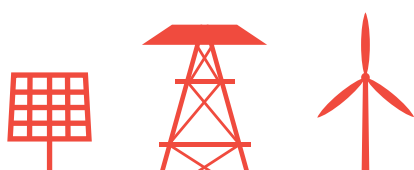
The government has also established maximum award prices in USD/MWh for each of the technologies, as detailed in the attached table. Also maximum and minimum power per project will be included for each technology. The average award price for RenovAr 1 and 1.5 was USD 57.44 MW/h.

The values of the maximum prices arise as a weighted average of the prices of projects awarded in RenovAr 1 and 1.5 for the wind energy and solar energy technologies. In the case of small hydroelectric power plants, biomass and biogas have maintained the price of Stage 1, with some incentives for smaller projects. And, in the case of sanitary landfill biogas, a new maximum price has been defined.

The opening and evaluation of bids will take place next October 20 and the award on November 29. As from that date and until May 15, 2018 there will be time to sign renewable electric energy supply contracts (CAEER) with CAMMESA and FODER (Fund for the Development of Renewable Energies) adhesion contracts. The term for executing the projects will be of two years as from the signing of the contracts.

Each bidder must provide a bid bond of USD 35,000 per each MW of power offered. In addition, the bidder must prove a minimum shareholders' equity of USD 250,000 per each MW of power offered.

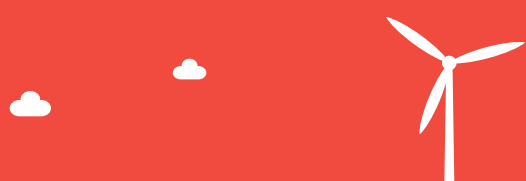
Awards will be made based on the prices offered for each technology, considering wind farm and solar energies jointly. In case of a tie (differences lower than USD 1/MWh for solar and wind energy, USD 2/MWh for biomass and PAH and USD 3/MWh), the national declared component will be taken into account (difference being greater than 3%) and then the execution terms.



Technology	Wind energy	Photovoltaic (solar) energy	Biomass	Biogas	Sanitary landfill biogas	PAH
Renovar 2	56.25	57.04	110	160	130	105
Renovar 1.5	53	54	-	-	-	-
Renovar 1	59	60	110	154		105
Maximum power (in MW)	100	100	50	10	10	50
Minimum power (in MW)	1	1	0,5	0,5	0,5	0,5

Forward market: Another opportunity to explore

Resolution 281/17 of the Ministry of Energy regulates the renewable energy forward market that allows large users to choose their supplier and negotiate the supply conditions to ensure the minimum consumption of these energies required by law. This resolution will give more dynamism to the market and will materialize from projects between private companies to self-generation projects with the sale of surpluses to the market.



Distributed generation: A step forward

The Energy and Fuels Commission of the Lower House issued a favorable opinion on the distributed generation bill. The bill establishes the conditions for the generation of electricity from renewable sources by the users who will eventually be able to inject any surplus of their generation to the system.

This opinion is estimated to be treated in Congress this September, thus creating “the user-generator”, a new character in the energy sector. This is a significant milestone to create a complete regulatory framework for the development of renewable energy in the country.

The term of the payment guarantee granted by FODER is reduced from 12 months to 180 days; it is estimated that no impact will be caused as CAMMESA has not recorded any delays in its payments over the last few months. Each awardee must provide a supply contract performance bond for USD 250,000 per each MW of power hired.

Lastly, bidders may require a guarantee from World Bank for compliance with the obligations of the Government, for up to USD 250 million.

Projects will have tax benefits under the renewable energy promotion system. At this Stage 2 the following reference values have been established for investments, and based on them, a maximum amount of tax benefits in accordance with the table below:

Tax benefits of each project must be requested at the time of filling the offer and will include:

- Accelerated depreciation of assets in 3, 4 or 5 annual installments depending on the assets and commencement of projects;
- Early VAT refund;
- Tax credit certificate to be used against federal taxes equivalent to 20% of the amount of purchases of the national component for the project considering certain conditions;
- Import tax relief.

In addition, the term to compute tax losses for the project for income tax purposes is extended to 5 years.

Technology	Reference value for investments (USD/MW)	Maximum quota of Tax Benefits (USD /MW)
Wind energy	1.400.000	700.000
Photovoltaic (solar) energy	850.000	425.000
Biomass	3.000.000	1.500.000
Biogas	5.500.00	2.750.000
Sanitary landfill biogas	2.500.000	1.250.000
PAH	3.000.000	1.500.000

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