

THE WINDS OF CHANGE – RENEWABLE ENERGY IN ARGENTINA

Argentina's significant natural resources place the country at a significant advantage over competitors when attracting investments for the production of renewable energy. In the case of wind power generation, Argentina is the country with the highest potential in Latin America, with averages of 6 meters per second at 50 meters over ground level. The country also has regions with outstanding conditions for solar generation. This paper will outline the legal framework for the renewable energy generation, the benefits granted by federal and local governments, and the opportunities for investment.

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RENEWABLE ENERGY LEGAL FRAMEWORK IN ARGENTINA

Argentina's significant natural resources place the country at a significant advantage over competitors when attracting investments for the production of renewable energy. In the case of wind power generation, Argentina is the country with the highest potential in Latin America. The country also has regions with outstanding conditions for solar generation. This is an overview of the legal framework for the renewable energy generation, the benefits granted by federal government, and the opportunities for investment.

I. Renewable Energy and Genren Program

To reduce dependence on liquid fuels and encourage the activities to diversify energy generation sources, Argentina enacted Law 26,190 in 2006, which established the: "National promotion scheme for the use of renewable energy sources for the production of electricity" to attract investment to diversify the Argentine energy matrix.

Law 26,190 declared that activities related to renewable energy generation were of national interest and gave rise to different promotion measures, including: (i) setting a goal of reaching, in a 10-year term, a contribution to energy generation, through renewable energy sources, representing at least 8 per cent of the national electric power. The term for compliance was recently extended until December 2017. (ii) creation of an investment promotion program for the construction of new works intended to the production of renewables to be used by the Spot Market or to supply public services; and (iii) additional compensation to be paid for this type of energy generation with public funds.

In accordance with Law 26,190, the Federal Secretariat of Energy issued Resolution No.712/2009 which created the "GENREN Program" and instructed the state energy company Enarsa to call for tenders for the construction, operation and maintenance of renewable power generation projects. Enarsa awarded projects for a total of 895MW, distributed according to the following detail:

- 754MW of wind power, with an average price of US \$126.9/MWh;
- 110.4MW of biofuels thermal generation, with an average price of US\$ 287.6/MWh;
- 20MW of solar power, with an average price of US \$571.6/MWh; and
- 10.6MW of small hydroelectric plants, with an average price of US \$162.4/MWh

Under the GENREN Program, awarded companies enter into an electricity supply agreement with Enarsa for a term of 15 years (the draft of the agreements and the prices of electricity were previously approved by the Federal Secretariat of Energy). The electricity generated under this program is sold by Enarsa to the Wholesale Electricity Market Management Company (CAMMESA by its acronym in Spanish) to satisfy the Spot Market demand. The promotional prices are paid to the generators with public funds.

In order to continue increasing the participation of renewable energy, the Federal Secretariat of Energy issued Resolution No.108/2011 and authorised CAMMESA to enter into power purchase agreements with the generator company. The economic and technical characteristics of the project have to be previously approved by the Federal Secretariat of Energy and the promotional price is paid with public funds. In general terms, the agreements under this program are similar to the executed by Enarsa for the GENREN Program.

Under this program, CAMMESA has entered into a power purchase agreement with EPSE, a state-owned company of San Juan Province. The agreement has a 15-year term and provides that the electricity is generated by a solar power plant with a capacity of 1.2MW. The premium price was set at US \$540/MWh and is paid by CAMMESA with public funds.

II. Perspectives for the future

Argentina's substantial natural resources place it at a significant advantage compared to its neighbors when attracting investments on production of renewable energy in Latin America. The GENREN Program, including premium prices, was the first step in promoting such investment and now the provincial governments, and even some municipal governments, are being encouraged to develop new projects. Such is the case of the province of San Juan which for the past years has been strongly encouraging solar energy through the "Solar San Juan" Program, and currently is working on long-term research projects to manufacture solar panels in situ. Argentina also has natural resources with the same outstanding potential in terms of solar generation in the Cuyo and Puna regions to be exploited.

With respect to wind power generation, Argentina is the country with the highest potential in the region, especially in certain mid and southern areas of Patagonia, in mountain areas of several provinces and along the seaside of the province of Buenos Aires (close to the most populated urban areas in Argentina). By the end of 2013 Argentina only had 218MW of global installed wind power capacity, making it a huge untapped resource.

Regarding geothermal power generation, Argentina has an identified potential to generate approximately 2,010MW. Currently, there are eight geothermal power generation projects in the feasibility and pre-feasibility stages.

In the current scenario, Argentina continues working on alternatives that further the sustained growth of its economy through mid and long term energy policies. In light of this, developing a renewable energy generation investment project is undoubtedly one of the options with the highest potential.

Argentina is clearly moving toward a situation of having greater reliance on renewable energy sources rather than conventional sources. The creation of the GENREN program is significant step in this direction and represents a vast opportunity for renewable energy companies to enter the Argentine market.

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If you have any question or comment regarding the foregoing, do not hesitate to contact us by calling at (54-11) 4326-7386, via fax to (54-11) 4326-7396 or via e-mail addressed to godoy@berettagodoy.com.