

Federal Energy Agreement introduced

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Introduction

On April 20 2017 the national and provincial governments signed the Federal Energy Agreement. The agreement aims to develop and foster the implementation of energy policies at the provincial and federal level.

With the exception of the provinces of Tucuman, La Pampa, San Luis and Misiones, all other provincial governments signed the agreement.

The agreement aims to improve energy supply and distribution throughout Argentina. It covers:

- organisation;
- the federal energy council;
- regulatory bodies;
- public service companies;
- energy planning;
- the energy matrix;
- climate change;
- hydrocarbons;
- energy tariffs and prices;
- energy saving and efficiency; and
- tax.

The Ministry of Energy and Mining will develop and submit proposals to the Executive Branch, with the effective participation of the provincial governments with regard to energy policy. The aim is to create a "reliable, inclusive, competitive and environmentally sustainable energy sector".

Federal Energy Council

The Federal Energy Agreement established the creation of a Federal Energy Council within the scope of the Ministry of Energy and Mining.

The council will be chaired by the minister of energy and mining and will include representatives from each province (including the city of Buenos Aires) and congressmen from the National Congress's energy committees.

The Federal Energy Council's aims include:

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- planning and developing the energy sector in the medium and long term;
- recommending amendments to the existing legislation regarding the energy sector, including the regulatory framework of each public service; and
- advising the national and provincial executive branch on energy sector requirements, including the development of programmes to promote the use of alternative energies, rate adjustments and investment projects.

The council's opinions and recommendations will be advisory and not legally binding on the parties.

Regulatory bodies and public service companies

The required instruments will be established to achieve the Federal Energy Agreement's aims and ensure the effective operation of energy and public service regulatory bodies. The roles of public service companies will be adjusted to avoid any overlap of their roles.

Energy planning

The Ministry of Energy and Mining is tasked with developing the Strategic Energy Plan based on the following guidelines:

- evaluation of alternative strategies based on energy and macroeconomic factors;
- consideration of efficiency criteria, the diversification of energy supply sources, regional integration and sustainable development;
- periodic review of objectives and targets within the framework of recent socio-economic, regulatory or technological changes; and
- consideration of international climate change agreements to which Argentina is a signatory.

The Strategic Energy Plan will be developed by the Ministry of Energy and Mining and submitted to the Federal Energy Council and the National Congress's respective committees for review.

Energy matrix

The Federal Energy Agreement also highlights the need to diversify the country's energy matrix, increase the use of clean and renewable energies and contribute to climate change mitigation.

The use of nuclear technology, hydropower potential and biofuels (ie, biodiesel and bioethanol) is expected to grow.

Energy tariffs and prices

Under the Federal Energy Agreement, the national and provincial governments will aim to balance prices and tariff policies in the energy sector between the different jurisdictions to avoid distortions and ensure the effective rendering of public services.

This will be achieved by introducing:

- simple tariff structures with a clear definition of invoiced services and the provision of necessary information to consumers;
- tariffs and prices proportionate to the economic costs associated with their production, import, transport and distribution; and
- a new regulatory framework that does not distort legal provisions regarding royalties or other provincial incomes.

New state agencies

The Federal Energy Agreement has also created new state agencies to comply with its objectives, including:

- a hydrocarbon national database with information on Argentina's hydrocarbon deposits; and
- a tax committee to analyse the energy sector's tax burden.

Comment

The Federal Energy Agreement intends to create a unified energy structure at the federal and provincial level. The cooperation of the national and provincial governments is key to a long-term energy policy. The regulatory framework introduced for the different jurisdictions will ensure quality of service and help to develop the national energy network.

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