

Alert | Energy & Natural Resources



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Renewable Energy in Latin America Updates

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Introduction

With the steady development of the renewable energy sector in Latin America, this GT Alert presents significant recent advances in several countries in the region.

A. Argentina

The Province of del Chaco’s government presented 26 expressions of interest (“MDI” by its Spanish acronym), to “integrally” develop infrastructure projects to incorporate more renewable energy sources in a variety of sections of the Argentinian Interconnection System net. Undersecretary of Energy Rodrigo Feü stated, “*these are photovoltaic and biomass projects that range from 5 to 35 MW and will add 318.5 MW of power. Some of these endeavors are in isolated systems of the net.*” Additionally, all proposals for renewable generation plants are designed to be connected by medium voltage lines (13.2 or 33 kV). However, only the bioenergetic plants would also have electric infrastructure.

The projects will be located in 19 of the 69 localities in the province, five of which will include both solar and biomass plants. Moreover, Feü said, “*if we materialize 50% of the projects presented in MDI, we would exceed expectations and, by 2025, we would reach the objective of covering 20% of the average power utilized in all of Chaco.*”

Note that these are not the only MDIs in Chaco; the company Fábrica SRL presented a 10 MW biomass project, designed to be connected to a 132 kV line in the President of the Plaza or Sáenz Peña localities.

B. Brazil

Photovoltaic solar energy in the Brazilian market has reached 16,414 MW installed, becoming the technology with the third highest operational capacity in the country's electricity matrix (195,164 MW), only behind hydroelectric (109,528 MW) and wind (21,953 MW). This means that renewable energies now encompass over 80% of the total power allocated to electricity generation.

According to the Brazilian Association of Photovoltaic Solar Energy ("ABSOLAR" by its Portuguese name), 562 MW were installed in the past month, of which 500 MW correspond to distributed generation; the rest is deemed "centralized generation". These developments maintain Brazil's status as the biggest solar energy market in Latin America. Solar energy has generated in Brazil more than R\$87.1 billion in new investments, R\$23.5 billion in public coffers, and over 492,000 jobs since 2012.

Additionally, in the recent New Energy Auction A-4 ("LEN A-4" by its acronym in Portuguese) five photovoltaic plants were awarded for a total of 166.06 MW, a number likely to increase in the LEN A-5, which is scheduled for September 2022. At LEN A-4, there were 1,345 projects registered for 55,822 MW, making LEN A-4 the highest source of interest at the event.

C. Chile

Mainstream Renewable Power, a company that develops, builds, and operates 10 wind and solar farms in Chile, and Empresas Lipigas signed an agreement regarding the transfer of surplus Non-Conventional Renewable Energy (NCRE) to comply with the annual obligation established by the General Law of Electric Services. The modifications made to the aforementioned law, which made the market for renewable certificates, establish the obligations of electricity companies selling to end customers for acknowledging a certain percentage of the commercialized energy comes from NCREs.

Sergio Díaz, Mainstream Renewable Power's commercial manager commented, "*The agreements signed with Lipigas allow Mainstream to diversify its commercial strategies, opening itself to new markets and products. Furthermore, it allows us to contribute to the formation of a clean, continued, and secure energy matrix.*"

Rodrigo García, manager of development and commercialization of electric business of Empresas Lipigas, expressed similar sentiments, highlighting that "*in Lipigas we continue to advance in the consolidation of a plan that allows us to offer a diversity of energy alternatives to our clients and the growth of the electrical business in a sustainable way, certifying the renewable origin of the energy we distribute.*"

The current goal is that by 2025, 20% of sales of energy-generating companies will be supported by renewable energy sources.

Additionally, Chile is carrying out a bidding process for energy supply, named Supply Tender 2022/01, in which 15 local and foreign companies thus far have submitted their economic and administrative proposals to participate.

Of the 15 participants, only six have come in under the maximum prices established by the National Energy Commission of USD41 dollars per MWh for group 1-A, USD41 dollars per MWh for group 1-B and USD45.5 dollars per MWh for group 1-C.

The offers presented for the different groups total 1.768 GWh/year, which is 14.3% of the total bidding volume. Note that the 15 participants in total offered 10.125GWh/year, which is almost double the amount tendered (including conditioned offers). The bidding process is expected to be resolved in August 2022.

D. Colombia

The Colombian government announced the results of its first hydrogen-focused meeting, led by FENOGE (Fund for Non-Conventional Energies and Efficient Energy Management), for which the financing of 10 projects was approved for \$6,570 million Colombian pesos (USD \$1.5 million). The objective of this meeting was to finance pre-investment studies for projects in pre-feasibility or feasibility stages throughout the value chain of green and blue hydrogen in the country.

The projects presented are predominantly concentrated in the Central zone (42.11%), the Caribbean zone (28.07%), the Coffee Region (10.53%), and the remaining 19.29% of projects are distributed throughout the country. The chosen firms were: VATIA SAESP, Busscar de Colombia SAS, Energal BioGas SAS, Solenium SAS, H2ONOSTRUM, H2 Andes SAS, TE H2 SAS, Sociedad de Gestión Grupo TW Solar Colombia SAS University of Antioquia.

FENOGE asserts this is only the first of many calls they will launch within the “More Hydrogen Colombia” framework. Similarly, the design of innovative and flexible investment and financing mechanisms will be proposed to accelerate the execution of green and blue hydrogen production initiatives.

The Ministry of Mines and Energy, in an attempt to continue its diversification of the Colombian energy matrix, emitted a series of decrees that regulate articles 14, 15, 21, and 23 of the Energy Transition Law. The Minister of Mines and Energy stated, “*The new regulations include guidelines for the development and export of zero and low-emission hydrogen in the country, as well as regulations for the development of activities aimed at generating electricity through geothermal energy.*”

The new regulation establishes the institutional framework for the development of the hydrogen energy market in Colombia, defining the responsibilities of the different ministries. Additionally, this first decree delineates the collaboration between the Ministry of Environment and Sustainable Development and the Ministry of Mines and Energy to define key terms for the future exportation of sustainable hydrogen, such as certificates of origin. The decree also creates an information system for the hydrogen market to organize and obtain information about the various activities of the value chain in a systematic and nationalized fashion.

Regarding geothermal energy, the second decree defines the procedure for requesting exploration and exploitation permits and their registration in the geothermal registry, their duration, the activities included in the exploration and exploitation, the information the developer must report, the rules for overlapping projects and their assignment, and sanctions.

E. Peru

The Amazonian territories of Peru include various localities lacking connection to the National Interconnected Electric System (NIEC); these areas are supplied electricity by thermal power plants operating on diesel fuel. In an attempt to modernize the generation plant of isolated systems, EDF and NOVUM SOLAR were awarded long-term electricity supply contracts for the development of photovoltaic solar plants and battery systems.

The first phase of the project contemplates an investment of USD\$44 million between 2022 and 2024, corresponding to 26 MWp of solar panels and 43 MWh of batteries. The project aims to reduce the use of diesel fuel up to 90%, which reduction would significantly curtail atmospheric pollution. Further, completion of the project may prevent emissions of up to 500,000 tons of CO₂ over 20 years and meaningfully reduce noise levels.

While two photovoltaic plants have already been in operation since 2020, others will remain under construction in different phases until 2024.

F. Honduras

The National Company of Electric Energy (“ENEE” by its Spanish acronym) announced the limitation of renewable energy in Honduras. ENEE claims private solar and wind power plants have caused economic losses for the country and states it will limit their future activity.

In the announcement, ENEE says that *“from 2015 to date, the economic damage caused to the State of Honduras by supporting the proper functioning of the electrical system in the face of the high variability of private renewable generation amounts to 4,499 million lempiras.”* The document continues, warning that *“the economic loss due to energy diversions in the Regional Market amounts to 49 million lempiras.”*

These restrictions would limit the dispatch of private renewable energies. However, the statement indicates that the ENEE, through the National Dispatch Center, would only apply those limitations when absolutely necessary to guarantee the continued supply of electricity and protection of national security.

Nonetheless, this measure worries some stakeholders. Not only could it force reduced power generation of these plants at certain times of the day, but it could also justify restrictions on renewable energy generation by private companies for a longer time. This is because the document stresses that the limitation would also be to “prevent risk of blackouts” and “avoid mechanical damage to hydroelectric generators owned by the State of Honduras.”

G. Mexico

The Energy Commission of the State of Tamaulipas (“CETAM” as per its Spanish acronym), presented a program for the development and sustainable use of energy in the state and the “State Energy Information System” in an attempt to identify the main areas of existing opportunity.

To accomplish this, the CETAM will promote initiatives for the installation of clean and renewable generation plants and technological innovation, including the creation of a trust “for the development of sustainable energy.” In addition, *“it is also planned to carry out a project in which a PPA is signed with a solar ejido that installs a distributed generation system, while facilitating the financing of solar panels for MSMEs and of equipment in systems isolated from the network,”* CETAM stated. This is an attempt to promote the installation of solar roofs that add 33MW of installed capacity in 3,448 interconnection contracts.

Currently, Tamaulipas is the state with the second greatest wind capacity at 1,722 MW, and it is projected to reach 800 GW of PEM electrolysis capacity to boost green hydrogen, with a theoretical production potential of 57,500 kilo tons per year.

During its July 21 session, the Regulatory Commission of Energy (“CRE” as per its Spanish acronym) rejected permits for renewable electricity generation for seven projects, six photovoltaic parks and one wind farm, developed by the private sector and which totaled an aggregate of 880 MW of capacity.

The solar projects were: The Trojan (108.41 MW of power), Zacatecas 360 (76,6 MW), San Isidro (120 MW), Scutti Solar (114.45 MW), Lomas de Ocampo III (30 MW), and PV Solar Resources of Mexico V (230,785 MW). The latter two were developed by the Spanish firm Aljaval. Lastly, the large-scale wind farm refers to one of 200 MW of power, belonging to Kalos Wind Developments.

This decision was made amid international controversy, when the United States and Canada requested dispute resolution consultations with Mexico under the United States–Mexico–Canada Commercial Agreement. This is related to the energy policies that have captured the country’s attention since the rise of its current president, Andres Manuel Lopez Obrador. These policies, the United States and Canada claim, allow for the “discriminatory treatment” of U.S. companies to benefit Mexico’s Federal Commission of Electricity and PEMEX.

H. Puerto Rico

The Puerto Rican Energy Bureau approved a resolution and order granting the Electric Power Authority (“AEE” as per its Spanish acronym) nine solar energy projects that had previously been presented and have been managed in accordance with the Comprehensive Plan and Public Energy Policy. Similarly, the two-week extension requested of the AEE to complete the evaluation of five additional projects was granted. These projects, the public corporation said, are only missing additional information required to formalize the contracts. In total, these 14 projects must handle a capacity of 795.91 MW.

According to Edison Avilés Deliz, president of the aforementioned regulatory body as well as the Public Service Regulatory Boards, “*the Bureau has the obligation to avoid inexcusable delays in the implementation of public policy to promote a greater number of renewable energy projects that benefit the people of Puerto Rico and our environment.*”

Conclusion

Advancing toward a sustainable energy market, several Latin American countries have embarked on a variety of projects to increase renewable energy. Although obstacles to the fruition of renewable projects have arisen, the push for a greener future continues. From vanguard endeavors to install new solar and wind plants, to government-based clean energy proposals, Latin America is becoming a focal point in the renewable energy market.

* *This GT Alert is not applicable to U.S. law.*

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