

## **Alert** | Energy & Natural Resources



**June 2023**

### **Latin America Energy Updates: January – April 2023**

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This GT Alert highlights significant news in the energy sector in Latin America from January to April 2023.

#### **A. Argentina**

*Government intervenes in Argentine electricity company for 180 days.*

Following numerous power outages in the Buenos Aires area, Minister of Economy Sergio Massa ordered state intervention into the operations of energy distributor Edesur and appointed Jorge Ferraresi as the new administrator of the company for 180 days.

*Argentina receives over 2,000 MW of offers in the RenMDI tender.*

The RenMDI tender for renewable and energy storage projects attracted greater interest than expected.

148 projects were submitted, totaling 1953,8MW, broken down as follows:

- 3 wind parks with storage for 30 MW
- 9 biomass power plants for 57 MW

- 101 solar plants for 13,343 MW

These projects will compete for the 500 MW available for allocation.

The offers will be under analysis until June 14. On June 20, the management company of the Wholesale Electricity Market will publish the qualifications for the projects. The allocation will be made on July 6, and contract signing will take place between July 11 and Nov. 2.

*Argentina to resume oil exports to Chile.*

Starting in June, Argentina will resume oil exports to Chile after 17 years.

In February 2006, the Trasadino Pipeline (Otasa), which connects the northern part of Neuquen with Chile, was closed due to a drop in production.

As of May 15, Otasa has been reactivated with an expected dispatch of 40,000 barrels of oil per day.

The new Vaca Muerta Norte gas pipeline is expected to start operating in September. It will initially export 70,000 barrels per day through Otasa, although it has the capacity to transport more.

*Federal Appeals Court approves oil exploration in Mar del Plata.*

The Federal Appeals Court of Mar del Plata rejected a petition filed by Mayor Guillermo Montenegro and various environmental organizations to annul the offshore oil exploration project involving YPF, Equinor, and Shell.

The exploration will be subject to the conditions established in the lower court's ruling, which includes the protection of biodiversity areas. Activities must be immediately suspended in the event of significant environmental damage.

The project is estimated to reach a production volume of 200,000 barrels per day—35% of Argentina's current production.

## **B. Brazil**

*Green hydrogen in Brazil.*

Brazil's National Institute of Clean Energy (INEL) announced the creation of a coordinated hub aimed at promoting the development of green hydrogen in the state of Ceará.

The working group will support the federal government, as well as state and municipal administrations, in the development of regulatory frameworks surrounding the use of green hydrogen in the northeastern region of the country.

In an interview with BNamericas, INEL Green Hydrogen Secretary Luiz Piauhyo Filho indicated that INEL's aims include presenting recommendations to the federal government and the National Congress to make the green hydrogen industry viable, as well as constructing dedicated pipelines.

He also pointed out the following challenges for Brazil's hydrogen market:

1. Transmission lines and substations are required to power an energizer. A basic infrastructure is necessary, or hydrogen plants won't be able to function.
2. Storage and transportation of green hydrogen. Will green hydrogen be transported in the form of hydrogen or as byproducts? This requires port infrastructure and appropriate pipelines for hydrogen or methanol.
3. Available workforce for manufacturing equipment and avoiding repetition of the solar model. Human resources training is required.
4. Public policy. A public policy involving the federal government, state governments, and municipal governments is necessary to facilitate project development.

### **C. Chile**

*National Energy Commission launches call for development of urgent transmission works in Chile.*

Chile's National Energy Commission (CNE) has launched a call for the presentation and development of new projects and expansion of the existing transmission system in the country, in accordance with the commitments made in the Initial Agenda for the Second Phase of the Energy Transition.

The proposals may be included in a list of projects the CNE will publish in July 2023.

The consultation period ended May 22, and proposals must be submitted by June 9 via email.

Subsequently, on July 24, the CNE will issue a list of preliminary feasible projects. The deadline for receiving execution requests is Aug. 7.

Chile will dedicate USD \$1.5 billion to the projects.

*Latin America's largest green hydrogen plant started production in March.*

Chile began producing and exporting synthetic gasoline based on green hydrogen at the Haru Oni plant in March 2023.

The project, which is the largest plant of its kind in the region, is owned by Highly Innovative Fuels and Siemens Energy, based in the city of Punta Arenas, in the Chilean region of Magallanes.

The plant produces 93-octane gasoline, which is chemically identical to conventional gasoline but free of impurities.

It is estimated that the plant will have the capacity to produce 350 tons of crude methanol and 130,000 liters of eco-friendly gasoline per year, using wind energy and carbon dioxide extracted from the atmosphere.

*Chile announces a national strategy for lithium.*

Chilean President Gabriel Boric has launched a new state policy that includes the creation of the National Lithium Company and the participation of private companies in new developments.

The five pillars of Boric's new policy to put lithium production under state control involve the creation of a National Lithium Company, private sector participation, new lithium extraction technologies, the involvement of communities near the deposits, and the generation of value-added products.

Boric emphasized that his policy will be designed in response to the climate crisis, ensuring the lowest possible environmental impact on ecosystems.

He also pointed out that, given its relevance in lithium production and reserves, special attention will be paid to the Atacama salt flat.

#### **D. Colombia**

*AE Solar starts operations in Colombia with new proposals of quality and innovation.*

German photovoltaic module manufacturer AE Solar is commencing operations in Medellín, Colombia, as part of its expansion plan in Latin America.

Colombia has significant potential for developing new photovoltaic projects, thanks to its geographic location and economic measures to incentivize solar energy expansion.

AE Solar is a Tier 1 manufacturer and one of the leading brands in the renewable energy market.

*The Gustavo Petro government launches first bidding process for an electrical project: a 500 kV transmission line.*

The Gustavo Petro government is initiating the first bidding process for an electrical transmission project in Colombia: the Primavera 500kV-VER Substation. The selected investor will be responsible for the selection and acquisition of the site, design, construction, operation, and maintenance of the project.

Offers must be submitted by the end of June, and the project must be operational by July 2024.

*The Minister of Mines and Energy supports the 6% transfer payments for renewable energy projects larger than 10 MW.*

Minister of Mines and Energy Irene Vélez has expressed support for the initiative proposed by the New National Development Plan (PND) (currently under debate in Congress) to increase the transfer payments for renewable projects larger than 10 MW from the current 1% to 6% of gross energy generation sales.

Minister Vélez argues that if the transfer percentage is not increased, communities will “not perceive anything” and will feel that these projects have negative impacts and represent an economic development model that does not deliver social or economic benefits.

According to the first approved version of the PND Law project, the transfer payment scheme will be implemented as follows: two years after the law takes effect, transfer payments will increase by 2%, reaching 3%. After that, transfer payments will increase by one percentage point every year for the next three years, reaching 6%.

*Colombia and Spain sign cooperation agreement for a just energy transition and decarbonization.*

During the state visit led by President of the Republic Gustavo Petro, Colombia and Spain signed a Memorandum of Understanding to establish a framework of cooperation for mutual benefit from a just energy transition and decarbonization of the energy sector.

In accordance with the provisions indicated by the International Labor Organization (ILO) and the United Nations Framework Convention on Climate Change through the Paris Agreement, both countries will work together in the following areas:

Renewable energy, decarbonization of the energy sector, climate change mitigation and adaptation initiatives, energy communities, decentralization and digitalization of the electricity sector, policies for a just energy transition, labor and productive reconversion in post-extractive areas, green hydrogen and its derivatives, strategies against energy poverty, and others.

*Colombia to hold its first offshore wind auction in August: over 3GW submitted in the area.*

During her tour of the Iberian Peninsula, Minister of Mines and Energy Irene Vélez confirmed that Colombia will hold its first competitive process for offshore wind energy generation projects.

The bidding terms will be ready in August, and it is estimated that four to six projects will participate.

According to data from the Mining and Energy Planning Unit, 11 offshore wind projects representing 5,035 MW of capacity have been submitted to the project registration report to date.

## **E. Mexico**

*Mexico presents the Sonora Renewable Energy Plan.*

The Sonora Plan aims to strengthen the state's supply chains with the United States and promote the manufacturing of electric vehicles and the construction of large clean energy plants.

According to Chancellor Marcelo Ebrard and President Andrés Manuel López Obrador, the plan is in the final stages of negotiation.

One difficulty that arose during negotiations was the Mexican government's requirement that state-owned company CFE must own all energy generation assets. The U.S. authorities agreed on the condition that the construction of the plants be assigned only to American companies.

The new solar parks will be built with preferential financing from the United States, with the Mexican government directly assuming the debt.

If executed, the plan would mark a significant strategic shift in Mexico's stance towards renewable energy.

The Sonora Plan also aims to develop the state's infrastructure by improving customs, refurbishing railways, building highways, expanding the Guaymas bridge, and upgrading the Obregon and Guaymas airports.

*President Lopez Obrador decrees nationalization of Mexico's lithium reserves.*

Mexican President Andrés Manuel López Obrador signed a decree in Sonora to nationalize lithium, consolidating the mineral as a national property for exploration and exploitation.

With this decree, the first lithium mining reserve zone will be created in Sonora. The 234,855-hectare zone is estimated to hold over 243 billion tons of lithium, making it the world's largest lithium deposit.

*Iberdrola sells assets in Mexico to a state-owned company.*

Iberdrola announced the sale of 80% of its generation assets in Mexico for USD 6 billion.

The group informed the National Securities Market Commission (CNMV) that its subsidiaries Iberdrola Generación México and Iberdrola Renovables México have reached an agreement with Mexico Infrastructure Partners (MIP) on the creation of a private trust managed by MIP to acquire all the shares of several power generation plants.

*CRE resumes deadlines and terms.*

On Feb. 28, 2023, the Energy Regulatory Commission (CRE) published Agreement A/004/2023 in the Official Gazette of the Federation (DOF), which resumes, in a phased manner starting March 1, 2023, the deadlines and terms for acts and procedures that had been suspended as a preventive measure against the spread of COVID-19 since March 24, 2020.

*Energy shortage hinders investment in nearshoring.*

Electricity supply problems in some regions of the country, such as the north and northeast, as well as the energy insecurity experienced in localities such as Tijuana, Ciudad Juárez, Guanajuato, Jalisco, Coahuila, Zacatecas, and Reynosa, pose concerns for the relocation of companies in Mexico.

Credit rating agency Moody's Investors Services identified three main threats that could limit the potential of nearshoring in Mexico: (1) infrastructure limitations, (2) public policy obstacles, and (3) climate change.

National transmission infrastructure has shown higher levels of congestion, limiting interregional connectivity.

Furthermore, the federal government's energy policy, which favors the Federal Electricity Commission (CFE), has been an obstacle to the development of private renewable generation projects.

Additionally, climate risks associated with water scarcity and droughts can hinder the manufacturing sector, particularly in the central-northern and northern regions of the country, which are vulnerable to water stress risks.

*Reduced costs of green hydrogen.*

The Mexican Hydrogen and Sustainable Mobility Association predicted that the cost of green hydrogen could be reduced by up to 64%.

Israel Hurtado, executive president of the organization, during his participation in the “Green hydrogen: opportunities for the industry” panel, said that reduced costs would allow for an increase in consumption and production.

He also noted that the production of other technologies, including hydrogen fuel cells, electric turbines, electrolyzers, and storage tanks, among others, would increase moving forward.

Romelí Barbosa, president of the Mexican Hydrogen Society, pointed out that Mexico has all the necessary conditions to become a primary player in the hydrogen industry because it has the required technical and analytical capacity for project development in the field.

Cesar H. Cadena, president of the Nuevo Leon Energy Cluster, indicated that green hydrogen would be important in the future of the Mexican energy sector, and he highlighted its importance in mitigating the effects of climate change.

## **F. Panama**

*Panama includes over 400 MW of renewables in its green hydrogen strategy.*

The national H2V proposal, which is currently under public consultation, includes a 160 MW solar plant and an 18 MW wind farm in the Arco Seco zone, as well as a 290 MW photovoltaic plant in Colon.

Panama aims to lead the Global Green Hydrogen Route and its derivatives. The preliminary version of Panama’s National Green Hydrogen and Derivatives Strategy (ENHIVE) outlines its short, medium, and long-term objectives and action plans.

Unconventional renewable energies would be a significant part of the scheme. The preliminary version of ENHIVE mentions two projects for H2V production and transformation into ammonia or e-kerosene: “H2V Production in Panama and Transformation into Green Ammonia” for Green Bunkering, which includes a 290 MW solar plant in the province of Colon, and “Hydrogen Production in Panama and Conversion into e-aviation kerosene for Clean Air Fueling,” which integrates a 160 MW solar plant and an 18 MW wind farm in the Arco Seco zone.

*Panama evaluates implementation of virtual self-consumption to reduce electricity costs for green hydrogen.*

The United Nations Environment Programme (UNEP) presented the results of its study “Applications of Green Hydrogen in Panama’s Transportation Sector,” which identified the following:

- To reduce the cost of green hydrogen, the study suggests virtual self-consumption as an alternative, where the renewable electricity generator provides electricity for green hydrogen production.
- To further reduce costs, minimizing or avoiding hydrogen transportation is also being considered.

The Ministry of Energy is evaluating different scenarios to reduce electricity costs for green hydrogen production.

*Panama prepares a long-term tender prioritizing renewable energy.*

Jorge Rivera Staff, Panama's secretary of energy, stated in an interview with the international news outlet Energía Estratégica that Panama is preparing a long-term tender that will prioritize renewable energies. The process will begin this year.

The tender will evaluate a component that allows for battery storage as an integral part of the generation matrix and a complement to the transmission and distribution infrastructure to improve service quality.

## **G. Peru**

*San Juan de Marcona Wind Farm will be operational by the end of 2023.*

According to the Economic Operation Committee of the National Interconnected System (COES), Peru currently has a portfolio of 698 renewable projects under construction, totaling 85 MW. Among them, 412 projects account for 21 MW of wind energy and 286 projects for 66 MW of solar energy.

Included in this portfolio is the San Juan Wind Farm, which will start operating in December 2023 with a \$190 million investment.

Additionally, a 33-kilometer, 220kV transmission line will be constructed to connect the wind farm with the Marcona Substation.

*The Ministry of Energy and Mines and Acciona sign concession contracts for two electrical projects in Peru.*

The Private Investment Promotion Agency (PROINVERSIÓN) reported that the Ministry of Energy and Mines (MINEM) and the company Transmisora ICA-Poroma S.A.C. signed concession contracts for the electrical projects "220 kV Ica-Poroma Link, expansions, and associated substations" and "ITC 220 kV Cálclíc-Jaén Norte Link, expansions, and associated substations."

The projects aim to meet the increasing demand for electrical energy in Ica, Amazonas, and Cajamarca.

Both projects were structured under the public-private partnership (PPP) mechanism. The concessionaire will be responsible for the design, financing, construction, operation, and maintenance of both projects.

The duration of each concession is 30 years from the commercial operation date: February 2023 for Ica-Poroma and April 2025 for Cálclíc-Jaén.

*Bill to incentivize renewables in Peru.*

The Energy and Mines Commission held a session with the National Society of Mining, Petroleum, and Energy and the Peruvian Association of Renewable Energies (SPR) to discuss regulations in favor of renewable energies.

The bill was presented by Congressman Luis Roberto Kamiche Morante, a member of the Peruvian Democratic group, and includes two relevant measures:

1. Contracts for energy supply should not require energy to be associated with capacity, which requirement has impeded the development of wind and solar plants that require these contracts to obtain financing and make their construction viable.
2. Promotion of renewable electricity tenders should be based on hourly blocks.

The initiative aims to guarantee access to secure, reliable, and efficient electricity supply for the entire population.

The project, which has approval from a majority of the congress, is in its final stage.

## H. Venezuela

*Maduro appoints new minister of Energy and Petroleum.*

Nicolas Maduro, president of Venezuela, appointed Colonel Pedro Tellechea as the new minister of Energy and Petroleum.

Maduro announced the appointment via Twitter one day after the resignation of Tareck El Aissami, who left his position following the arrest of several officials for their alleged involvement in embezzlement cases in the oil industry.

Tellechea holds a degree in Military Sciences and Arts and has postgraduate specializations from the Argentine Army and Public Finance from the Universidad Santa María, as well as a master's degree in Naval Operations from the Postgraduate School of the Venezuelan Navy.

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