

Alert | Energy & Natural Resources



December 2024

Latin America Energy Updates: September and October 2024

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Introduction

This GT Alert highlights significant energy sector developments in Latin America from September and October 2024.

A. Argentina

CAMMESA launches new MATER call for up to 880 MW allocation.

The Argentine Wholesale Electricity Market Administration Company (CAMMESA) opened a new Renewable Energy Term Market (MATER) call to award up to 880 MW in transmission capacity, depending on the projects submitted. This third-quarter call offers less capacity than in previous rounds, especially in areas with better wind and solar resources.

Key points:

- 209 MW will have full dispatch priority.
- Up to 881 MW will use the Referential “A” mechanism, with up to 8% curtailment.

Capacity distribution will depend on project technology and location. For instance, the Misiones, NEA, and Litoral regions will receive most of the available capacity.

B. Brazil

Brazil strengthens its energy transition commitment.

Brazil has recently strengthened its commitment to transition to cleaner, more sustainable energy sources. Aiming to diversify its energy matrix, reduce dependence on fossil fuels, and meet its climate goals, the country has promoted solar, wind, biomass, green hydrogen and nuclear energy initiatives. Brazil has also implemented new policies and projects seeking to ensure long-term energy security and emissions reduction. Key developments from September and October 2024 include:

1. **Solar Energy** (September 2024): Brazil surpassed 30 GW of installed photovoltaic solar energy capacity, solidifying its regional leadership. The country signed agreements to promote solar projects in the northeast of the country.
2. **Green Hydrogen** (October 2024): Brazil partnered with international companies to develop green hydrogen production and export infrastructure in the state of Ceará, positioning itself as a potential major green hydrogen exporter.
3. **Low Carbon Energy Law** (September 2024): Congress passed a new law promoting clean energy use, offering tax incentives for wind, solar, and biomass energy projects. The law also includes energy efficiency measures for industry and transportation.
4. **Biomass Electricity** (October 2024): The government announced a plan to increase biomass electricity generation, especially in the Midwest region, using agricultural and forestry residues.
5. **Offshore Wind Energy** (September 2024): Brazil launched a tender to install 1 GW of offshore wind power capacity through 2030.
6. **Carbon Emissions Reduction** (October 2024): According to a National Electric Energy Agency (ANEEL) report, Brazil has reduced CO₂ emissions by 10% since 2020 due to renewable energy adoption.
7. **Nuclear Energy** (September 2024): The National Nuclear Energy Commission (CNEN) approved expanding the country's nuclear capacity, with new reactors at the Angra Nuclear Complex aiming to ensure long-term energy security.

C. Chile

Public Transportation Subsidy Law modification accelerates electric trucks adoption.

The modification to Chile's Public Transport Subsidy Law aims to accelerate electric truck adoption across the country, closing the gap between Santiago and other regions. Óscar Moreno, in charge of electromobility at Chile's Regional Public Transport Division, explained how the new regulation facilitates collaboration with regional governments and provides a framework for financing and operating electromobility projects.

Key Changes:

1. *Increased Funding and Regional Responsibilities:* Regional governments can now access more resources for fleet renewal, infrastructure, and operations. They must allocate at least 50% of funds to these aspects.
2. *Public-Private Partnerships:* Regional governments can now more easily partner with the central government to manage projects, including long-term contracts (up to eight years), which may provide greater security to investors.
3. *Fleet Management Flexibility:* Electric buses will be attached to the transportation system, allowing re-bidding of operations without affecting the buses if an operator fails to comply with regulations.
4. *Electric Fleet Expansion:* About 130 electric trucks already operate in several cities such as Antofagasta and La Serena, with plans for significant expansion. New buses will be tendered in 2025 for cities such as Villarrica, Osorno, and Puerto Varas.

In summary, the Subsidy Law modifications have the potential transform the electromobility landscape in Chile, allowing a faster expansion of electric trucks in the regions, with a regulatory framework that enhances financing, management, and operational flexibility.

Amendments to extend electricity subsidy to 4.7 million users.

Chile's Minister of Energy Diego Pardow presented changes to the bill extending electricity subsidies to 4.7 million users. The modifications address energy sector concerns, particularly regarding the Small Means of Distributed Generation (PMGD), energy generation plants with a maximum total capacity of 9 MW, impact. Key points include:

1. *FET charge reduction:* The Tariff Stabilization Fund (FET) charge would decrease by 60% between 2025 and 2027, from \$1.8 MWh to \$0.6 MWh in 2027. This would decrease the collection but would not affect the beneficiaries of the electricity subsidy.
2. *PMGD Compensation:* Starting in 2028, a compensation mechanism would mitigate financial impacts on PMGD from the FET reduction. The PMGD would be able to use the payments not received as a credit against their obligations.
3. *Tax credits for SMEs:* A tax credit program would support small and medium-sized companies (SMEs) investing in photovoltaic systems for self-consumption, granting 25% of the investment as a tax credit.
4. *Deferral and exemptions for PMGD:* The FET charge would be deferred during the first 12 months of operation of PMGD projects up to 9 MW and SMEs would be exempted from this charge.

The amendments seek to balance the electricity subsidy with energy sector financial stability.

D. Colombia

Colombia Economic and Social Forum (FES) 2024 Highlights

The FES 2024 focused on Colombia's energy transition to more sustainable sources, emphasizing the country's environmental commitments. Key agreements include:

1. Accelerating the Energy Transition

- *Emissions reduction*: Increase the share of non-conventional renewable energies (solar, wind, geothermal, and hydro) in Colombia's energy matrix.
- *Diversifying the energy matrix*: Reduce fossil fuel dependence by integrating energy storage technologies and smart grids to optimize distribution.

2. Renewable Energy Infrastructure Development

- *Investment incentives*: Create incentives to encourage energy infrastructure investment in areas with high renewable potential, such as Guajira for wind energy and other solar areas.
- *Strengthening transmission infrastructure*: Modernize and expand the electricity transmission infrastructure to ensure renewable energy efficiently reaches consumption centers.

3. Developing Sustainable Energy Projects in Rural Areas

- *Access to energy in non-interconnected regions*: Prioritize rural electrification using renewable technologies such as solar panels and small hydroelectric plants.
- *Energy autonomy*: Promote decentralized energy generation models for rural community energy autonomy.

4. Decarbonization and Climate Change Commitments

- *Carbon neutrality goal*: Achieve carbon neutrality in the energy sector by 2050, in line with the Paris Agreement.
- *Promote energy efficiency*: Implement policies that seek to improve energy efficiency in various sectors and promote using cleaner technologies.

5. Strengthening Regulation and the Regulatory Framework

- *Regulatory reforms*: Review and update energy regulations to encourage clean energy investment and promote competition in the market.
- *Tax and financial incentives*: Create tax incentives and financing mechanisms for companies that invest in renewable energies and clean technologies.

6. Research, Innovation, and Technological Development

- *Innovation incentives*: Promote investment in researching and developing clean technologies, such as renewable energies, energy storage, and smart grids.

- *Public-private collaboration*: Encourage public-private collaboration to develop new energy technologies and create innovation centers.

7. **Energy Justice and Equity**

- *Universal access*: Ensure that all Colombians have access to clean, reliable, and affordable energy.
- *Fair and regulated tariffs*: Implement policies to avoid tariff mismatches and protect vulnerable users, especially in rural areas, from disproportionate tariff increases.

E. Guatemala

EEGSA improves Open Bidding process.

Empresa Eléctrica de Guatemala S.A. (EEGSA), part of the EPM Group, has enhanced its 1-24 EEGSA Open Tender to cover its short-term energy needs. The tender includes two blocks: Block B (107 MW for the seasonal period 2025-2026) and Block C (155 MW for a five-year contract starting in 2025 or 2026).

Objectives and Key Changes:

- EEGSA seeks to increase the competitiveness of the auctions, which were held on Nov. 20 and 27, 2024.
- Process improvements include greater flexibility for bidders, allowing for power variation throughout the supply years and the possibility of starting supply in 2025 or 2026.
- The range of permitted technologies expanded to include hydroelectric, biomass, coal, bunker and petroleum coke, with the aim of attracting more generators and diversifying energy sources.

Specific Improvements:

- Power flexibility: Bidders will be able to adjust the power they deliver over time.
- Block C modality expansion: Two new modalities were introduced in Block C to facilitate more generating plant participation.
- Technological diversification: The bidding process was opened to more technologies to increase competitiveness and offer more options to cover the country's energy needs.

Strategic Objectives:

- Guarantee competitive and stable tariffs, seeking a sustainable energy matrix that aligns with the energy transition.
- The company emphasizes that, thanks to these efforts, it has achieved tariffs 30% lower than those of the first tender, despite the impacts of climatic phenomena and the Russia-Ukraine war.

The process also included a period for receiving clarifications and possible adjustments until early November, seeking to ensure transparency and a competitive process. The tender responds to the need to meet energy demand with a focus on sustainability and diversifying energy sources.

AGER identifies 3.7 GW of renewable potential in Guatemala.

The Guatemalan Renewable Energy Association (AGER) identified 3,700 MW of potential renewable capacity for incorporation between 2024 and 2040. To achieve this, AGER recommends improving transmission infrastructure, simplifying administrative procedures, and fostering institutional cooperation and government support.

Long-term tenders have been key to the success of the country's energy transition, allowing new renewable plant construction and reducing electricity tariffs. AGER proposes prioritizing renewable sources in tenders, separating them by technology, and allowing operating plants to accelerate clean energy incorporation.

In addition, they suggest including storage systems to improve the electricity system's flexibility and efficiency. With these measures, Guatemala could strengthen its regional leadership in renewable energies.

F. Honduras

IMF evaluates Honduras' energy sector progress.

In October 2024, the International Monetary Fund (IMF) visited Honduras to evaluate its energy sector, focusing on tariff schedules and the 1500 MW tender. The Regulatory Energy Commission (CRE) noted that they are in the final phase of approving the distribution tariffs and advancing transmission tariffs regulation, with a provisional tariff expected December 2024.

The IMF expresses concern over delays of the 1500 MW tender, which will be carried out under the Build-Operate-Transfer (BOT) model, in which investors finance plant construction for 15 years before transferring them to the Empresa Nacional de Energía Eléctrica (ENEE). However, ENEE's financial problems and uncertainty about investment recovery remain key challenges.

The IMF also highlighted progress in reducing ENEE's electricity losses, but stressed the need to continue structural reforms, such as reducing ENEE's payment arrears through bonds and improving government coordination. In the long term, the goal is to attract investment to expand generation capacity and ensure adequate energy supply.

The IMF agreed with the Honduran authorities to move forward with these reforms, but the economic policies necessary to complete the financing agreement must be approved by the IMF Executive Board in the coming weeks.

G. Mexico

New regulations for electric vehicle charging.

On Sept. 10, 2024, Mexico's Energy Regulatory Commission (CRE) published Agreement A/108/2024 in the Official Gazette of the Federation, establishing the General Administrative Provisions on Electromobility (DACGME). The provisions aim to regulate the connection of charging infrastructure for electric and hybrid electric vehicles to the National Electric System (SEN).

The DACGME address important issues such as (i) the technical and administrative requirements that end users must comply with to connect their charging infrastructure to the SEN, (ii) the minimum

information that end users and suppliers must provide to the Electromobility Platform, as well as (iii) the procedures to ensure continuity, reliability, and security in the electricity supply.

Constitutional reform regarding companies and strategic areas.

On Oct. 31, 2024, Mexican President Claudia Sheinbaum Pardo published a decree amending the fifth paragraph of Article 25, the sixth and seventh paragraphs of Article 27 and the fourth paragraph of Article 28 of Mexico's Constitution (CPEUM) in the Official Gazette of the Federation (DOF), regarding strategic areas and companies.

The most relevant aspects of the reform include:

(i) **Article 25**

- 1) Converting Petróleos Mexicanos (PEMEX) and the Federal Electricity Commission (CFE) into state-owned public enterprises.
- 2) The organization, operation, contracting procedures and other legal acts entered into by public state enterprises shall be established in a secondary law.

(ii) **Article 27**

- 1) Incorporating lithium as a strategic resource, over which concessions may not be granted to private parties.
- 2) Specifying that the electricity transmission and distribution are exclusive to the nation, and that the manner in which private parties may participate in the other activities of the electric industry will be determined by a secondary law. Private activities will in no case take precedence over the state public enterprise, whose mission is to comply with its social responsibility and guarantee the continuity and accessibility of the public electricity service.

(iii) **Article 28**

- 1) The following areas are incorporated as strategic: (a) activities related to lithium; (b) internet service provided by the state; and (c) planning and control of the national electricity system.
- 2) The planning and control of the national electric system will be aimed at preserving the nation's security and energy self-sufficiency and providing the people with electricity at the lowest possible price, avoiding profit, to guarantee national security and sovereignty through the public company of the state to be established.

(iv) **Transitory Articles**

- 1) The decree will take effect the day after its publication in the DOF.
- 2) The Congress of the Union will have 180 calendar days from the decree's effective date to make the necessary adjustments to the corresponding secondary laws.
- 3) The transitory articles of the decree reforming and adding various provisions of the Political Constitution of the United Mexican States, in Energy Matters, published in the DOF on Dec. 20,

2013, (corresponding to the energy reform of 2013) are repealed, insofar as they oppose the decree.

Publishing DACG to integrate electric energy storage systems to the National Electric System.

On Sept. 30, 2024, the CRE's Governing Body held an extraordinary session to approve the Agreement by which the General Administrative Provisions were issued for the Integration of Electric Energy Storage Systems to the National Electric System (DACG).

The DACGs establish the modalities and general conditions under which the integration of Electric Energy Storage Systems (ESS) to the National Electric System (SEN) will be carried out in an orderly and economically viable manner, and have three specific objectives: (i) to establish the general conditions applicable to the ESS, as well as to define the modalities for integrating the ESS to the SEN; (ii) to establish the general requirements to be met by the interested parties in integrating the ESS and to participate in any of its modalities; and (iii) to establish the interconnection/connection procedure to be observed by those interested in integrating the ESS.

For more information, see our [October 2024 GT Alert](#).

H. Panama

Draft bill promotes green hydrogen.

On Oct. 2, 2024, Panama's National Assembly approved in first debate a bill that seeks to promote green hydrogen as an energy source in the country. The law assigns the National Energy Secretariat (SNE) the responsibility of regulating and developing strategies for producing, transporting, and using green hydrogen, excluding La Autoridad Nacional de los Servicios Públicos (ASEP) from the permitting process to simplify procedures and attract investment.

Panama has ambitious goals, such as producing 500,000 tons of green hydrogen by 2030 and 2 million tons by 2040. The law also declares of national interest the production and industrialization of green hydrogen and offers incentives to companies that invest in this sector.

The next step will be for the bill to pass to second and third debate in the National Assembly, and then the Executive Branch will have 150 days to regulate the law and put it into practice. This initiative is part of Panama's energy transition strategy and seeks to position it as a leader in the development of clean energy in the region.

I. Puerto Rico

Puerto Rico seeks to acquire 500 MW of renewable generation capacity and 250 MW of energy storage.

Puerto Rico has issued a new Request for Proposals (RFP Tranche 4) to procure 500 MW of renewable generation capacity and 250 MW of energy storage (with four or six-hour duration options) on a long-term basis.

This process is part of a broader effort under the Integrated Resource Plan (IRP), which seeks to procure a total of 3,750 MW of renewable energy and 1,500 MW of storage. The solicitation is aimed at shovel-ready projects, i.e., those ready to begin construction.

Key features of the RFP:

- Acquisition objectives:
 - 500 MW of renewable energy.
 - 250 MW of energy storage with a duration of four to six hours (1,000+ MWh).
- Maximum price:
 - Renewable energy: \$125/MWh.
 - Four-hour storage: \$25,000/MW-month.
 - Six-hour storage: \$33,750/MW-month.
- Evaluation process:
 - Proposals will be evaluated primarily on price.
 - Cheaper projects that meet the requirements will be favored.
 - The evaluation process will be more streamlined compared to Tranche 3.

Comparison with Tranche 3:

- Tranche 3 (cancelled): sought 1,000 MW of renewable energy and 500 MW of storage while Tranche 4 seeks 500 MW of renewable energy and 250 MW of storage, with the possibility of acquiring more depending on market response.
- In Tranche 3, no maximum price was set; in Tranche 4, a price limit has been set, as explained above.

Deadlines and participation:

- Deadline for submission of proposals: Nov. 25, 2024.
- Eligible projects: Shovel-ready projects will be prioritized, meaning that they must have already secured permits and financing.

This new procurement process is designed to secure competitively priced renewable energy and storage projects, with a focus on construction-ready projects and a more streamlined evaluation than in previous solicitations.

J. Dominican Republic*New conditions for renewable energy projects with storage.*

The National Energy Commission (CNE) has issued Resolution CNE-AD-0005-2024, which modifies the previous CNE-AD-0004-2023, and establishes new conditions for renewable energy projects with storage. The main objective is to integrate battery storage systems (BESS) in renewable energy projects to guarantee the National Interconnected Electric System (SENI)'s stability.

Key points:

- Projects over 20 MWac must have a storage system equivalent to 50% of its capacity, with a four-hour minimum duration.

- Projects larger than 200 MWac require prior CNE technical evaluations to ensure feasibility and positive impact on the SENI.
- The CNE may reject projects from related companies that attempt to use the same energy injection point in order to avoid excessive generation concentration.

This resolution seeks to strengthen energy storage infrastructure, promote sustainability, reduce dependence on fossil fuels, and position the Dominican Republic as a leader in the regional energy transition.

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