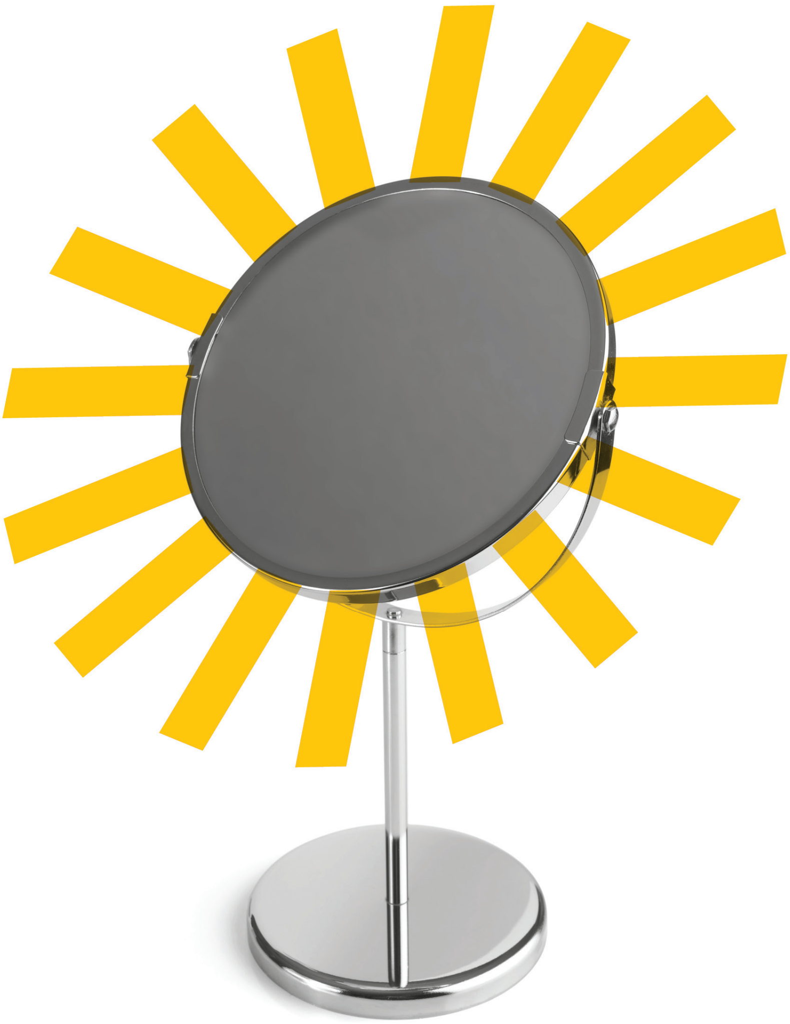
EVERSHEDS SUTHERLAND

Renewable energy is looking good

Opportunities in Latin America

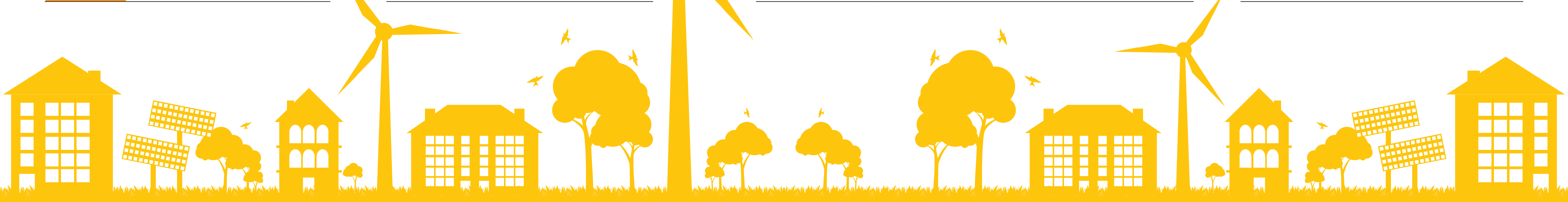
June 2018



Renewable energy is looking good
Opportunities in Latin America

Latin American countries represent some of the top 20 most attractive renewable energy market in the world ranked by EY on their RECAI report in May 2018 – as such, this is a market that features opportunities in both greenfield projects and the secondary market. In the table below, we compare the key elements that international developers and investors should consider to understand the opportunities in the different Latam countries. If you would like to discuss further, please do not hesitate to get in touch with us.

Country	Renewables Target (as % of electricity generated)	Local Content	Government incentives	Upcoming Tenders
Argentina	8% by 31st December 2017 12% by 31st December 2019 16% by 31st December 2021 18% by 31st December 2023 20% by 31st December 2025	No official local content policy. However, in case of parity amongst bids, priority will be given to projects promoting the creation of local jobs and using local materials. The integration of foreign materials will be accepted if it is proven that there is no competitive technological offering that could be sourced at a local level. There is a tax certificate regime for projects that have over 60% of materials sourced locally.	– no feed-in-tariffs. The sovereign renewable energy investment fund (FODER) is ultimately guaranteed by the World Bank – anticipated VAT return for capital goods purchased – extension to 10 years of the period for income tax loss carry-forwards – dividends or profits arising from projects will not be subject to income tax in certain cases – tax certificate regime where a project has over 60% of materials sourced locally	Round 3 of RenovAr auction of electricity generated by renewable energy set to be conducted by the end of 2018.
Brazil	87% by 2026 Expected increase of 11.8 GW for wind power and 7 GW for solar photovoltaic by 2026.	Tax exemptions for use of local wind turbine components. Preferential financing for renewable energy projects is given by the Brazilian National Development Bank (BNDES) to projects where 50-60% of equipment is locally produced. However, consultations have revealed that this may be lowered to 20%. New rules for calculating the percentage of local content will come into effect in December 2018.	– import tax exemptions for solar PV generation equipment as long as there is no equivalent local production – state tax exemptions for wind and solar PV energy – biofuel projects attract significant import/export tax deductions	Five energy generation tenders were held in 2017, which included renewable sources. One tender specifically for hydro, wind, solar photovoltaic and biomass sources was held in April 2018 and is still ongoing. Tender A-6 – for power generation from new enterprises – has been authorized by the Ministry of Mines and Energy and shall be held between May - August 2018.
Chile	20% by 2025 70% by 2050	No local content requirements.	– renewable energy certificate system, large companies penalised if renewable energy quota not met – carbon tax on emissions from power plants of 50MW or more (except biomass) – streamlined regulations for small power projects (up to 9MW) such as automatic grid connection and exemptions from toll payments – a policy aimed at addressing challenges faced by the Chilean energy sector	Contracts worth around 600 MW were awarded by the Chilean government in the 2017 renewable power tender process. There are seven ongoing tenders which will conclude in December 2018, December 2019, December 2022 and June 2035.
Colombia	6.5% by 2020 (excluding large hydro)	No local content requirements.	– 50% per cent annual deduction of taxable income for the first five years of investment in renewable energy projects – VAT exemptions for equipment and machinery for use in renewable energy projects – exemption of import taxes on imported equipment and machinery for use in renewable energy projects	Tenders are expected within the next year due to a new regulation to implement a long-term contracting mechanism for power generation projects (mainly renewable energy).
Mexico	25% by 2018 35% by 2024 40% by 2035 50% by 2050	No local content requirements.	– no feed-in-tariffs but net metering and preferential access to the grid to renewable energy developers – exemptions from import/export tax and tax credits – in relation to corporation tax - accelerated depreciation of 100% for investments in equipment and machinery for electricity generation through renewable sources if certain conditions met – implementation of a tradable Clean Energy Certificate market, which sets a target for all suppliers and qualified users of the grid to source 5% of all energy generation from renewable sources – the government has funds to support the development of clean energy projects	Mexico's fourthe auction of electricity generated by renewable energy was called by the government on 28 March 2018 and is currently ongoing. This fourth auction will allow the purchase of power, electric energy and clean energy certificates.



For further information please contact:

Stephen Hill
Partner - M&A
T: +44 207 919 0611
stephenhill@eversheds-sutherland.com

Mark Dennison
Partner - Project Finance
T: +44 207 919 0919
markdennison@eversheds-sutherland.com

Mercedes Galindez
Senior Client Development Manager - Latin America Group
T: +44 207 919 0875
mercedesgalindez@eversheds-sutherland.com

eversheds-sutherland.com