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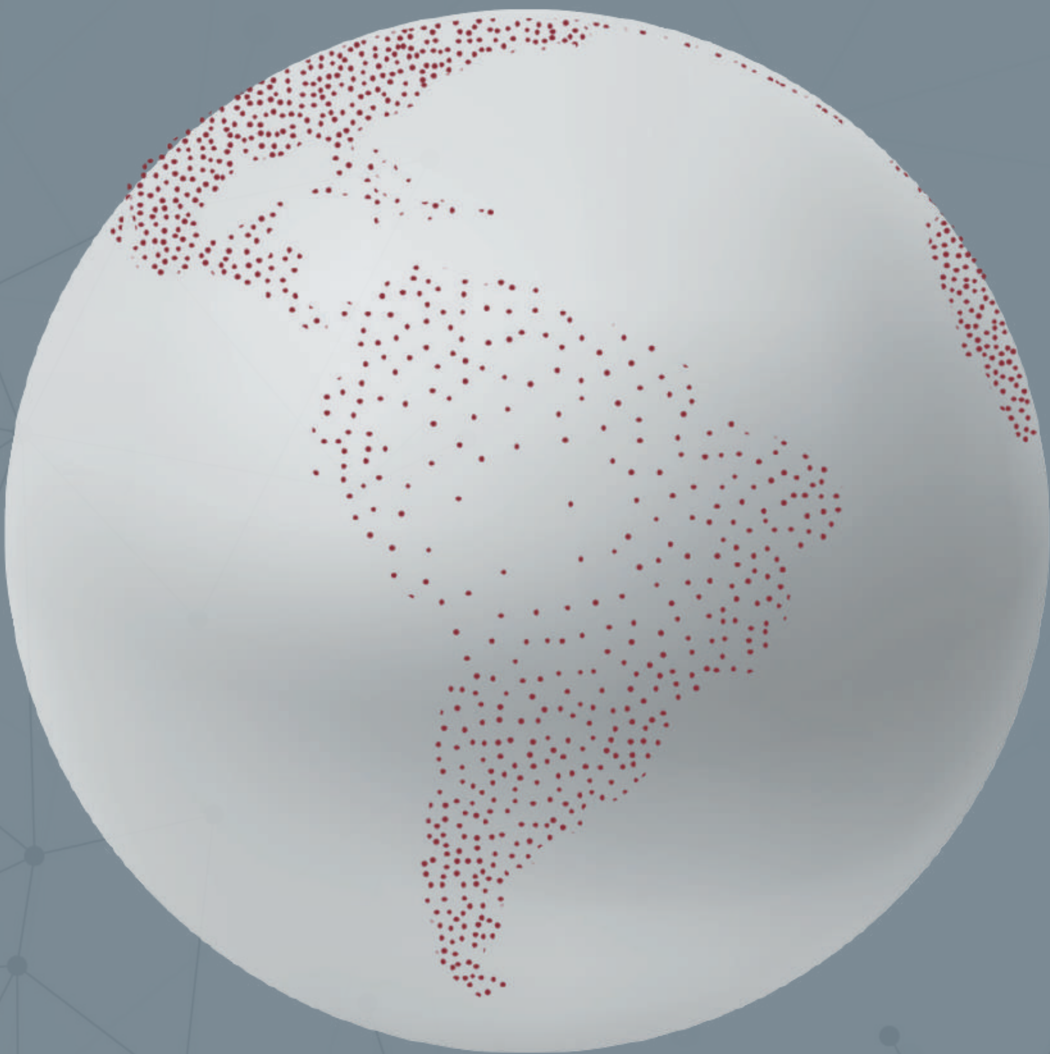
LATAM Corporate Insights



An opportunity guide about:

The Corporate M&A legal and tax framework focused on the Energy industry across LatAm.

September 2023

Index

Our International Association

Andersen Global® was established in 2013 as the international entity surrounding the development of a seamless professional services model providing best-in-class tax and legal services around the world.

Andersen Global Chairman and Andersen CEO
Mark L. Vorsatz, Andersen (U.S.)

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We aim to be the benchmark for quality in our industry and the standard by wich other firms are measured.

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We hire the best and the brightest and we invest in our people to ensure that legacy.

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390+

locations worlwide

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*Number updates as of January, 2023

Presentation

You may also be interested in:

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The Corporate M&A service line at Andersen LATAM through its members and collaborating firms of Andersen Global, have prepared the first edition of the LATAM Corporate Insights magazine, which we hope will be of interest to you and have a practical application for the performance of your activities.

We hope this magazine becomes a reference material that allows our readers to understand the similarities, differences, innovations, and key trends in Corporate Law and Mergers & Acquisitions (M&A) in LATAM.

Due to the growing interest of investors in participating in the generation of sustainable and renewable energies in Latin America, this first edition focuses on a comparative analysis of the principal legal and tax trends related to the energy sector from the perspective of each of the jurisdictions that have participated in this publication and that are part of our firm.

Our Corporate Law and Mergers & Acquisitions (M&A) service lines of the Andersen Latin America (LATAM) legal practice consist of eighteen multidisciplinary teams of highly qualified and experienced lawyers, tax advisors, and economists to provide professional services under the highest quality standards. These services include:

- Acquisitions.
- Co-investments and strategic alliances.
- Due Diligence.
- Evaluation of tax and legal aspects derived from the transactions.
- Mergers, Spin-offs, and Transformations.
- Public Tender Offers.
- Restructuring.
- Valuations.

We are confident that LATAM Corporate Insights will help multinational companies gain an overview of the main issues that typically arise when operating in LATAM.

If you are interested in receiving more information related to this publication or our services, please get in touch with any of our partners at Andersen LATAM. We would be happy to assist you.

Alonso Montes
LATAM Legal Coordinator

WHAT'S NEWS IN...

In this insight we would like to show the current opportunities in the CORPORATE M&A area focused on the ENERGY sector of 18 Latin American countries like Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Uruguay, Venezuela. We would like to thank all our contributors to this insight, lawyers from different prominent firms in the region. This insight will be updated from time to time and may include more countries.

Argentina

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

Argentina has strong opportunities to become a relevant supplier of energy to the world. In the midst of the global energy transition, where the demand for gas and lithium, among other energy sources, will grow, the country has great chances of being able to increase its production and exports. It is one of the best countries in the world to produce these types of energies, offering a wide range of opportunities for foreign investors.

In fact, the Vaca Muerta shale basin is one of the world's largest unconventional oil & gas reserve, which gives the country strong advantages in oil and gas markets. Likewise, it is important to mention the opportunities in lithium development, where Argentina has a lot of potential as the second world reserve and the fourth producer.

Finally, it should be noted that it is difficult to find a country with all the above-mentioned energy potential that Argentina has, but also with the possibility to become a producer of green hydrogen and other alternatives as solar, wind, and offshore energy.

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

The Income Tax Law sets forth that if certain requirements are met, the results from M&A operations are not taxed with Income Tax. Likewise, these operations are not taxed with Value Added Tax and certain local taxes such as Turnover Tax and Stamp Tax. The requirements to be fulfilled are mainly related to the maintenance of certain activities, shareholding participation and communications to the National Tax Bureau.

In addition, it is important to mention that the Law 26,190 sets forth a National Promotion Regime for the use of renewable energy sources for the production of electricity. This law promotes new investments in electrical energy production, based on the use of renewable energy sources. Below you will find some of its main tax benefit:

- Early refund of Value Added Tax.
- Accelerated amortization in Income Tax.
- Extension in the compensation of losses with profits.
- Dividends or profits distributed by investment projects covered by the Promotion Regime will not be subject to Income Tax (10%) if they are reinvested in new infrastructure projects in the country.
- Tax credit certificate of 20% to be applied to the payment of national taxes for the beneficiaries of the projects that prove a certain percentage of integration of national components used in their electromechanical installations.

- Tax Exemption from Import Duties:
  The abovementioned benefits differ on the time/year that the investments have been made. To qualify for these benefits, interested companies must submit an application before the national authorities and mainly fulfill the required investments.

  Finally, it should be noted that Argentina is working on a National Promotion Regime for the production of green hydrogen that will imply tax benefits among other incentives.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

The main due diligence considerations will be related to corporate, commercial, financial, litigation, labor, environmental and tax aspects. Below you will find a brief summary of the main information and documentation to be considered:

Corporate Information

Information and documentation related to the structure and organizational chart of the companies; bylaws, capital structure, books, shareholders/partners, information on any substantial transaction carried out during the last 5 fiscal periods, information on the legal situation of the companies (if the companies are in bankruptcy, if the books of the companies are up to date and if the companies are normally carrying out their corporate activities), information and copy of the current powers granted by the companies, list of current directors/managers of the companies, information on any guarantee, pledge and obligation granted, shareholder/partner agreements or other para-corporate contracts between the shareholders/partners of the companies, share certificates, minutes, location of operations of the companies, permits and legal qualifications of all foreign subsidiaries or branches to carry out activities in each jurisdiction, schedule indicating the date and amount of dividends declared and/or paid during the last 5 fiscal years and copy of at least the last five financial statements of the companies.

Customers and Sales

List of clients and copies of their contracts entered into with them in writing (or purchase orders) and their addenda, and summary of all non-written contracts.

Information about Commercial Activities – Credits – Contracts– Others

- INSURANCE

Insurance policies and insurance contract coverage of the companies, details of all the claims filed to the Insurance companies during the last 5 years under any of the insurance policies contracted by the companies, together with the summary about the status or final resolution of each claim, reports from insurance brokers on the scope, quality and adequacy of the coverage of the companies.

- CONTRACTS

Copies of (or summaries in the case of unwritten agreements or agreements under negotiation) any significant agreement between the companies and a third person or entity, including, but not limited to: confidentiality agreements; exclusivity agreements; trust agreements in which the companies are party as settlor, trustee or beneficiary ; agreements concerning joint ventures or collaboration contracts or business grouping; all the agreements by which payment obligations have been assumed, such as loan contracts, debt acknowledgments, sureties, guarantees and promissory notes (whether receivable or payable); all the contracts regarding mergers, acquisitions, reorganizations or sale/purchase of assets; all the agreements related to intellectual property, including without limitation all agreements with third parties on the use and protection of trademarks, trade names, domain names, invention patents, industrial models and designs, utility models and copyrights of the companies; all the contracts entered into in relation to Technology and know-how, transfer and license thereof, identification of important aspects, determination of duration and ownership; all distribution, representation, agency, marketing, supply, technical support, service, supplier, license or

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other relevant commercial agreements entered into by the companies; all brokerage, sales agent, or sales representative agreements; all loan, securitization or guarantee agreements, or any other contract that generates encumbrances (eg mortgage or pledge) on any assets of the companies that are in force and/or pending payment. Specifically, an explanation of any financial debt obtained by the companies in the last 5 years, and a copy of the pertinent contracts; equipment or property rentals; copy of lease/leasing agreements in force and expired during the last year in which the companies are the lessor and information on any agreement under negotiation; all the agreements between the companies and any other officer, director/manager, or shareholder/partner of the companies; any agreement that prohibits or limits the business of the companies (for example, non-compete agreement, or in certain areas or anywhere in the world, or which includes waivers or agreements of the companies with respect to rights with a economic value substantial); all the agreements with any government entity (whether national, provincial or municipal), or with state companies and companies, including the holding of national or provincial public debt titles; any agreement that may be terminated or modified, or for which consent is required, in connection with the M&A operation of the companies; details regarding the distributors or agents and a summary identifying those agreements that may end as a result of a change of control in the companies or change of shareholders/partners.

- FINANCIAL – GUARANTEES

Information about the type of activities that the companies carry out or have carried out during the last 5 years with banks or financial entities (or that is negotiating). Details (including type and number) of all bank accounts of the companies and persons authorized to withdraw funds from their accounts; information on any guarantee granted by the companies and details and amounts of guarantees granted by the companies in force or that the companies in force or that the companies are negotiating.

Property Rights

List of Trademarks, Patents and Copyrights registered in the name of the companies; list of Real Estate Properties belonging to the companies, list of registrable movable property (i.e. automobiles, boats, aircraft, etc.) and a list of Internet Domains registered in the name of.

Public Tenders (National, provincial and municipal scope)

Details of the public tenders in which the companies have participated and list of direct contracts.

Litigation

Detail of all the claims and disputes that the companies have (whether administrative, arbitration, mediations, bankruptcy requests, state, civil, commercial, labor, tax, social security, intellectual property, environmental, customs, criminal and of any other nature) whether completed, ongoing or imminent, in which the companies are parties as plaintiff or defendant; information on breaches of obligations related to intellectual and/or industrial rights by the Companies and/or any of their subsidiaries that are known or alleged by third parties; existence of preventive, precautionary measures on the companies or any of their subsidiaries; information regarding any infraction or breach of the Competition Laws, as well as any other notification received by the companies of the National Commission for the Defense of Competition; Details of all pending or firm claims, lawsuits, mediations and litigious issues related to products marketed or failures of products marketed by the companies, as well as claims by insurance or by insurance companies and any circumstance that could be known by the Directors and Managers of the Companies that could result in a possible conflict (judicial or extrajudicial), or notification of any authority

Labor

Contracts and work agreements; labor debts/social security in court or with finalized process; wages and wages book; personnel files; Affidavits corresponding to the last 10 years; Union framework of the personnel; particular agreements and/or special benefits with the staff and managers/directors; bonus program or policy; supporting documentation of personnel laid off in the last 3 years; detail of inspections suffered, assessments and/or fines applied; list of the members of the administrative body and hierarchical personnel, as well as the functional organization chart of each company; remuneration of directors/managers and hierarchical personnel; collective Agreement Rules applicable to the personnel of the companies; specific agreements that may have been entered into with worker union associations; current list of personnel, classified by jurisdiction and by contractual modality; indicating name and surname, age, position or activity performed, date of entry, monthly remuneration, additional benefits and inclusion or not in the collective agreement; monthly pension affidavits corresponding to the period. Evidence of payment of the balances contained in such declarations and of those made to Union Entities. Work papers used to prepare the aforementioned affidavits; if there are personnel hired through Temporary Services companies, withholding certificates issued as a result of the companies acting as pension withholding agents. Evidence of income of such withholdings for the work period. Minutes of the tasks performed by the contracted workers and reasons that warranted their hiring by this means; insurances; if there has been an assignment or transfer of personnel from or to other employers, detail: *a) personnel included; b) date of transfer; c) conditions; d) obligations and recognition of rights; e) instrumentation; etc and overtime and Work Hours: Inform applicable policy and what is the existing supporting documentation in order to control pyment.*

Environmental.

Inspection records; reports from environmental advisors; agreements with federal or provincial agencies; record of incidents, etc. and studies / environmental impact reports.

Taxes.

Information and documentation related to sworn statements and working papers presented and used regarding National and Provincial Taxes and municipal taxes will be required mainly.

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Energy · LATAM

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Bolivia

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

In Bolivia, traditionally the oil industry is where most of the M&A transactions for the energy sector have been generated; however, in recent years and with the nationalization of the oil companies, this source of development has moved to the lithium industry. This is due to the growing global demand for this mineral, especially by technology industries, which use lithium for the production of batteries for cell phones, iPods, laptops and the now growing electric vehicle industry.

Bolivia has the world's largest reserves of this mineral, estimated at more than 9 million metric tons. Bolivia's lithium deposits are located in the Salar de Uyuni, department of Potosí, located at an altitude of 3,670 meters above sea level, with an area of 10,000 km^2 (180 km long and 80 km wide).

The inhospitable areas where lithium reserves are located in Bolivia mean that lithium exploitation, extraction and production activities have higher costs than those incurred in neighboring countries Chile and Argentina, which makes it extremely necessary to implement technologies through foreign investment, so it is expected that the industry will move in the near future, major M&A operations.

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

There are no specific incentives for the energy sector, however, the transfers and/or sales that take place within the Mergers and Acquisitions are not subject to the main taxes in Bolivia, such as Value Added Tax (VAT), additionally the tax credits or credit balances that the predecessor company or companies may have may be transferred to the successor company or companies.

Likewise, mergers and acquisitions are exempt from Transaction Tax (IT). Finally, in the case of Corporate Income Tax (IUE), in addition to the fact that mergers and acquisitions will not be subject to this tax, the successor company or companies may transfer the losses and offset them in the four (4) fiscal years following the year in which the transfer was made.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

In addition to the general due diligence considerations that are made in any operation, in the case of mergers and acquisitions it is important to review the documentation and state regulatory standards, since in Bolivia natural resources (including those related to energy) are regulated by the National Government. In addition to special care in regulatory compliance, it is essential to comply with change of controls regulations that may affect the operation.

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Brazil

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

Brazil is rapidly going through major changes when it comes to regulation and corporate dominance in the energy sector. The country is also a role model for the world when it comes to reliability and sustainability of an existing consolidated system, while multiple new plants running on clean and renewable energy approach their commercial operation date. The hot topics regarding energy M&A opportunities in Brazil are the followings:

- State divestments: Recently, some of the most important energy state-owned companies have been privatized, including monopolized infrastructure sectors such as the transport and distribution of both power and gas (i.e. ELETROBRAS, CESP, CEEE, CELG, TAG and NTS); not to mention ongoing and future potential opportunities, such as COPEL, CELESC, CEMIG, Bahiagás and ESGás.

- RVDs/free market: The so-called RVDs (renewable, variable and decentralized sources), which are wind and solar power plants, have recently taken over as the second source of power in Brazil – and that might be a permanent move towards overcoming the current hydro-thermal prevalence. Furthermore, consumers are increasingly concerned about independence from the grid – due to high costs – and energy transition. Private investments are unquestionably necessary to supply power in the context of opening the free market of power for retail consumers, which is under scrutiny by Congress (Bill of Law No. 414), and those might as well finance RVDs.

- Distributed generation: Distributed generation is an ever growing reality and the perfect example in the context of RVDs, with regulatory incentives that reduces costs for retail consumers, despite of new limiting regulation recently enacted by Congress and ANEEL, i.e., Law No. 14,300/2022 and Resolution No. 1,059/2023, respectively. M&A advisors shall be particularly engaged on taking the necessary precautions such as the discussion on the moment to assign the connection instruments to the grid vis-à-vis the legal prohibition of commercialization of such connection instruments ("pareceres de acesso"). Also, a consolidation trend is expected to occur in the sector flourishing several M&A opportunities.

- Self-generation ("autoprodução"): Self-generation is also a very welcoming structure for large consumers of power, such as the mining and steel/aluminum industries, particularly after relevant tax incentives on ICMS acknowledged by the Judiciary (see ADC 49 of the Supreme Court). There is an increasing number of M&A transactions in structures of that kind, known as self-generation by equivalence ("autoprodução por equiparação"), authorized by Law No. 11,488/2007, which are sophisticated corporate arrangements whereby large consumers become shareholders of power plants and jointly consume power generated by the invested company through Power Purchase Agreements (PPAs) executed between related-parties

- Offshore Renewables: Another remarkable prospective opportunity is in renewable offshore power plants, especially wind, which have been subject to particular interest by foreign investors in the South and Northeast of Brazil. Market participants still seek more legal certainty to finance new projects, even though this matter was regulated by Decree No. 10,946/2022 and the Ministry of Mines and Energy, while there are bills of law running in parallel in Congress. Perhaps the most important milestone would be the establishment of a "one-stop shop" for authorization requests, since they involve multiple authorities, such as energy, environmental, telecommunications and military authorities. There are also synergies between offshore renewables and decommissioning of oil and gas fields.

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

Companies organized in Brazil engaging in energy projects may benefit from the following tax benefits, among others:

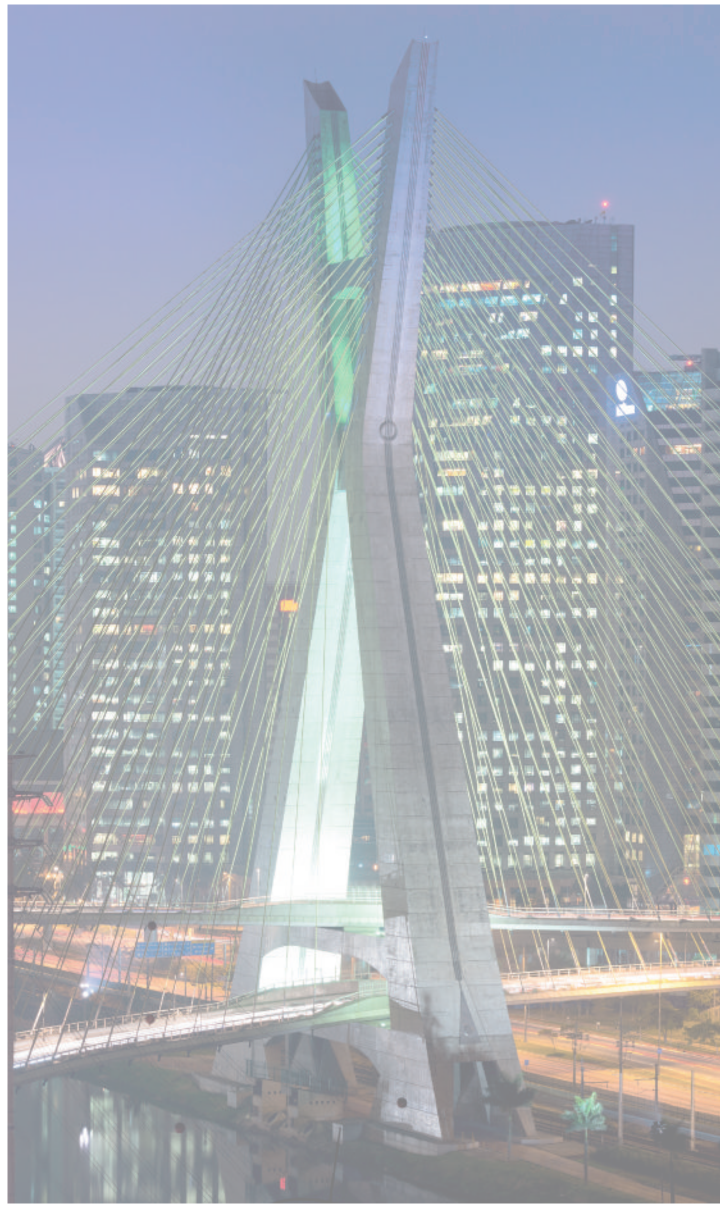
i. Exemption from Federal Contribution on Gross Revenue (Pis/Cofins) for equipment, materials and services applied in energy projects. The company must require prior approval from Tax Authority;

ii. Exemption from State Tax on Sales (ICMS) for equipment and components for solar and wind energy (e.g. solar panels, wind turbines). The legislation provides for a list of tariff classification codes and the benefit is automatically applied;

iii. 75% reduction on Corporate Income Tax for energy projects in regions North and Northeast. The project must be previously approved by the Region's development authority;

iv. Distributed generation: Exemption from State Tax on Sales (ICMS) on generation and consumption of energy (in states of São Paulo, Minas Gerais, Rio de Janeiro and Espírito Santo limited to 5MW of installed capacity, in other states limited to 1MW).

v. Self-generation: Exemption from State Tax on Sales (ICMS) on generation and consumption of energy by the same company or in case of a consortium, proportionally to the stake of the company in the consortium.



Energy · LATAM

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

Due diligence in energy M&A transactions in Brazil involve both general and specific investigation, with particular attention to regulatory and contractual matters. The main aspects for consideration within the Brazilian legal framework are the following:

Corporate:

A corporate due diligence shall be based on key aspects that could imply in a negative material impact on the transaction itself or on shareholders' exercise of rights, such as liens or encumbrances on shares, limitations prescribed by shareholders' agreements, as well as any other restraints prescribed by instruments related thereto.

Antitrust:

For antitrust and gun-jumping prevention, the transaction shall be subject to the approval of the Administrative Council of Economic Defense (CADE), depending on the parties involved with respect to their annual revenues. In general, transactions must be submitted to the Brazilian Antitrust Authority prior approval if they meet the following cumulative thresholds: (i) At least one of the economic groups involved in the transaction has registered an annual gross revenue or total volume of business, in Brazil, in its last balance sheet, equivalent to or above BRL 750 million, in the year preceding the operation; and (ii) At least another group involved in the transaction has registered an annual gross revenue or total volume of business, in Brazil, in its last balance sheet, equivalent to or above BRL 75 million, in the year preceding the operation. Therefore, transactions that are subject to mandatory notification to Brazilian Antitrust Authority cannot be consummated until the latter renders a final decision, under penalty of breaching the law and incurring in "gun-jumping".

Environmental:

Federal, state and municipal administrations have common constitutional authority to protect the environment in Brazil, which implies in special complexity for transactions dealing with natural resources, such as energy M&As. The environmental analysis consists of examining the environmental and operational licenses, permits and certificates of the entities involved in the transaction before authorities, such as the Brazilian Institute of Environment and Natural Resources (IBAMA) and other sub-national bodies.

Litigation matter:

In order to identify risks and liabilities arising out of litigation, it is imperative to verify whether there are any administrative proceedings or notices exchanged with ANEEL and other regulatory authorities, environmental, tax, labor and anticorruption authorities, as well as judicial and arbitration ongoing proceedings and notices. Generally, for that purpose, it is expected that the target entities present certificates and reports issued by lawyers directly involved with the relevant litigation proceedings, including aspects such as the value under discussion, the probability of loss and the potential consequences of an eventual negative outcome.

Regulatory/contractual:

Energy is a highly regulated matter in Brazil. Therefore, documents issued by the relevant authorities are key, such as certificates, waivers, authorizations ("outorgas") and fiscalization reports (such as "Relatório de Acompanhamento de Empreendimentos de Geração de Energia Elétrica" – RAPEEL). Furthermore, a contractual due diligence associated with regulatory aspects shall be put into place in order to ascertain whether operational agreements are into force, including agreements of connection to the transmission/distribution grid ("Contrato de Uso do Sistema de Distribuição ou Transmissão" – CUSD/CUST), fuel supply (if applicable), real estate, Engineering Procurement and Construction (EPCs) and Power Purchase Agreements (PPAs). Financial agreements might as well be subject to investigation, including bonds, loans and guarantees – particularly if they are bound by special tax benefits (such as "debêntures incentivadas").

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Chile

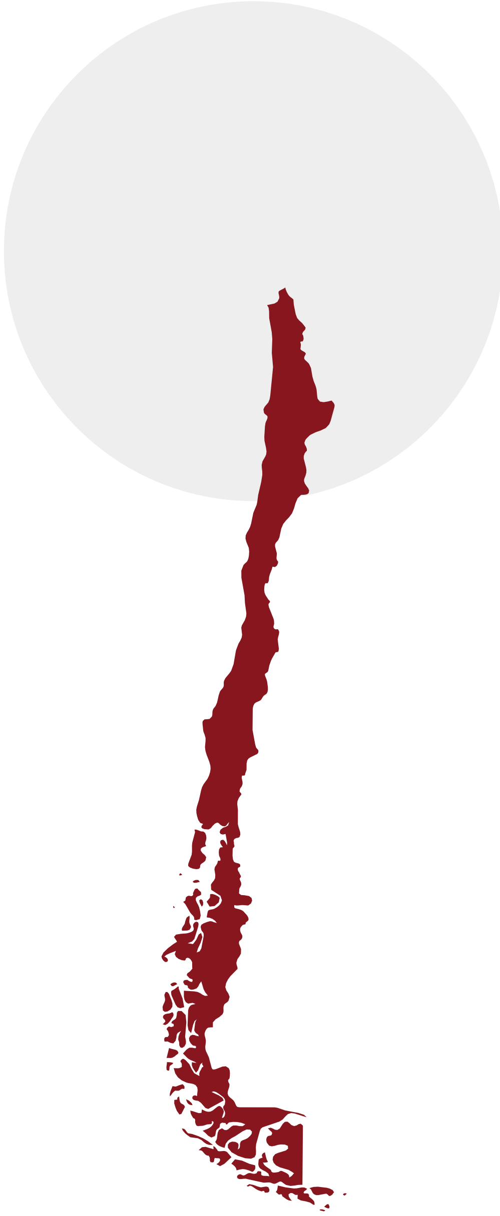
1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

Chile is experiencing exciting changes in its energy sector, especially in the generation segment, where the grid is seeing rapid transformation fueled by private investment. While Chile has traditionally imported the lion's share of the hydrocarbons that traditionally made up an essential part of its energy sector, the development of renewable energy has allowed the country (that expects its energy matrix to be comprised of 70% renewable generation by 2030) to make use of its local resources.

According to the report by Landmark-Alantra Group, published on Diario Financiero, Energy and technology led M&A transactions in 2022 (Download here the full report https://rb.gy/pr3n2c). For 2023 longer-term opportunities can be found in Chile's newfound emphasis on green hydrogen and the widespread adoption of electric vehicles over the coming decades, but the market is still led mainly by solar and wind projects.

The success of obtaining foreign investments is mostly because Chile has a rock-solid regulatory reputation, its independent regulatory bodies and commitment to a free market and competitive principles have allowed it to take advantage of its world-class resources.

The country's total installed capacity reached 30,430 MW by November 2022, of which 58% comprises renewable sources and 37% by Non-Conventional Renewable Energy (CEN, 2022; CNE, 2022a; Ministry of Energy, 2022). As of January 31st, 2023, there are 94 energy projects in the construction phase at the national level, including generation plants, transmission works and green hydrogen. All of them represent an investment of USD 6,621 million. As for



the generation plants, the main contributions in terms of capacity (MW net) come from solar (53% - 2.237 MW) and wind (37% 1.549 MW). Investments are led by solar (41%, corresponding to USD 2,507 million) and wind (32%, corresponding to USD 1,941 million). Transmission works amount to an investment of USD 479 million and 547 km of lines.

Green hydrogen is the big bet of the government of the day. There are bills on the subject and some international agreements already signed, with European countries, for example, for technical support in the design and development of H2V production and application projects in different sectors and activities, in addition to the financing of H2V production/application projects and technology, among others, making use of

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the European Fund for Sustainable Development Plus (EFSD+) and loans provided by European Financial Institutions (EFIs), as well as export credit agencies.

2.TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

Chile offers direct and indirect incentives for renewable development and energy investment. The country has a flexible tax on local polluting emissions of particulate matter, NO (nitric oxide) and SO2 (sulfur dioxide), and a fixed tax for global CO2 emissions for generation plants with 50MW capacity and above. The country taxes US$5,000 for every ton of CO2 emitted. The government has also consistently awarded concessions for using fiscal property to develop non-conventional renewable projects.

Other benefits are applicable to farthest areas of the country (Remote areas) with incentive for hiring labor and special subsidy for small and medium-size investors. Law No. 19.606 ("Austral Law") and Law No. 19.420 ("Arica Law") establish a tax credit for investments in fixed assets made in the regions of Arica and Parinacota, Aysén and Magallanes, and in the province of Palena of the Los Lagos Region. This is a discount that allows a lower payment for the taxpayer in the annual income tax return. The recipients of the benefit are taxpayers who declare first category tax on effective income determined according to complete accounting, for the investments made in Arica and Parinacota, Aysén and Magallanes, and the province of Palena, to produce goods and provide services in those areas.

The investments must materialize in an investment project, which may consist of the acquisition or construction of physical goods of the companies' fixed assets, such as buildings, machinery and equipment directly linked with the production of goods or the provision of services for the main activity of the taxpayer; construction of buildings for productive activities; among others. The percentage considered as a tax credit varies between 10% and 40%, depending on the specific location of the investment, its amount and the productive activity involved. Thus, with some exceptions, for the region of Arica and Parinacota, the amount of the tax credit is 30% of the investment, while for Aysén, Magallanes and the province of Palena, the credit starts at 32% and progressively decreases to 10% as the amount of the investment increases. The total amount of the investment in the assets incorporated in the project must exceed 500 UTM.

About general benefits, Law No. 20.848 grants a series of rights to foreign investors:

a) Access to the formal exchange market for the foreign exchange settlement of their investment and the repatriation of capital and profits, according to the applicable regulations of the Central Bank of Chile. The exchange rate for the settlement or obtaining of foreign currency in the formal exchange market will be the one freely agreed upon by the intervening parties.

b) The right to remit the transferred capital and the net profits generated by its investments once the corresponding tax obligations have been fulfilled according to national legislation and in accordance with the regulations of the Central Bank of Chile.

c) The right to request exemption from value added tax (VAT) on the importation of capital goods, in accordance with the provisions of No. 10, letter B of Article 12 of Decree Law No. 825 of 1974 of the Ministry of Finance.

c) The right to request the Foreign Investor Certificate, a public instrument granted by the State of Chile through InvestChile, which recognizes the applicant as a Foreign Investor and allows access to the benefits granted by law.

Law No. 20.241 ("R&D Law") establishes a benefit for investment in Research and Development, consisting of a tax credit against first category tax, equivalent to 35% of the total payments made under research and development contracts duly certified and arranged with centers registered with the Chilean Economic Development Agency (Corfo). In addition, the taxpayer will be entitled to deduct, as a necessary expense, the amount of the payments made under the aforementioned contracts, in the part that does not imply credit (the remaining 65%), regardless of the line of business of the company. The amount of the credit to which the taxpayer is entitled in each year may not exceed 15.000 UTM.

One of the main rights conferred by the status of foreign investor is the possibility of requesting VAT exemption for the importation of capital goods. Article 12, letter B, No. 10 of Decree Law No. 825 of 1974, of the Ministry of Finance, exempts from VAT the importation of capital goods made by individuals or legal entities, whether resident or domiciled in the country, or those who qualify as investors and companies receiving foreign investment, for projects involving investments of US$5 million or more. For these purposes, capital goods are considered to be machines, vehicles, equipment and tools that are destined, directly or indirectly, to the development, exploration or exploitation in Chile of such projects, whose production capacity does not disappear with their first use and have a useful life equal to or greater than 3 years.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

According to the type and size of the company and projects involved in the transaction, besides the corporate, operation, labor, assets and liabilities and litigation aspects, real estate, regulatory, environmental, and mining law must be part of the due diligence.

In real estate, a study of the titles of the properties where the project is being developed is mandatory.

Regulatory and environmental due diligence will be related to the permits and evaluation required for projects considering their size and type. Licenses for developing electricity projects, whether hydroelectric, photovoltaic or wind, are verified according to the Environmental Impact Assessment System (SEIA) framework and through the Sectoral Environmental Permits (PAS).

The study of mining rights is the most specific compared to other countries. This is because of the Chilean market characteristic. The study is necessary because the ownership of a property does not imply ownership of its mining rights. For this reason, mining rights are required as usual in such projects to protect the land.

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Colombia

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

Like many countries in the world, Colombia is in a constant search for the transition to clean energy, in order to protect the environment and reduce long-term costs because although the initial investment in clean energy technologies may be higher than fossil fuels, in the long term, operation and maintenance costs are lower, and achieve energy independence. Due to the transition towards clean energy, there is a significant potential for investment in the renewable energy sector. There are several wind and solar power projects in the pipeline, and foreign investors are showing interest in these projects.

In fact, Colombia has great potential for wind energy due to its geographical location and topography, especially in the region of La Guajira and the Caribbean Coast. In recent years, several wind energy projects have been carried out in the country, including the construction of the Jepirachi wind farm in La Guajira, which has a generation capacity of 19.5 MW and is one of the first wind farms in the country. Other wind energy projects are also under construction or in planning.

Precisely in order to achieve the energy transformation, the country must renew its aging energy infrastructure. In that regard, the government is actively investing in grid modernization, so there may be opportunities to acquire and consolidate transmission and distribution assets.

Additionally, the increase in energy demand generates the need to create energy efficiency solutions together with technological tools. There may be opportunities to invest in this type of technology.

These are just a few potential areas of interest for M&A opportunities in the Colombian energy sector, however, it is important to keep in mind that the energy market is constantly changing, and investors must keep up with the latest developments and regulations to make informed investment decisions.

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

To carry out a due diligence in an energy M&A operation in Colombia, multiple points must be taken into account, in order to evidence contingencies and achieve a fair price in the negotiation.

In the first place, it is very important to have knowledge about the normative regulation of the energy sector in Colombia, with emphasis on quality standards, permits or licenses required for energy projects, tax incentives or subsidies, among others.

On the other hand, a review of existing agreements, such as power purchase agreements (PPAs), supply agreements and construction contracts is necessary. All this in order to identify clauses that may affect the operation and to understand the financial and operational aspects of the project. The analysis of technical considerations cannot be left aside, in order to assess the condition and reliability of the project's infrastructure.

Additionally, financial considerations should be considered in the due diligence to assess the profitability and potential risks of the operation, for which historical and projected financial results of the project, as well as any outstanding debt or liabilities, should be analyzed.

In general, and broadly speaking, in addition to the aforementioned, the labor issue, intellectual property on the development of new technologies and patents, and the evaluation of the correct acquisition of property must be analyzed, all with the purpose of highlighting potential risks and ensuring the success of the project.

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Costa Rica

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

Costa Rica is a country that has stood out for years and mainly in the last 50 years for having an excellent clean energy policy for country consumption, in order to do this, investment in wind energy is one of the most relevant in recent years , with a large capacity installed by foreign and national companies, which may always be willing to venture into merger and acquisition contracts, as well as in power plants installed in national rivers that had a sales contract for their electricity production installed with the ICE, the government regulatory entity, lost that opportunity due to ICE's administrative decisions.

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

In Costa Rica tax incentives were eliminated by a law in this regard in the government of Rafael Angel Calderón in the year 1990 there are no tax incentives.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

The main considerations have to do with the operating permits that the regulatory authorities on the matter must give. It must be considered that in Costa Rica, the authorities take great care of all natural resources, it is an important part of the proper diligence in reviewing all resource exploitation permits that are up-to-date and with the respective deadlines and terms of operation.

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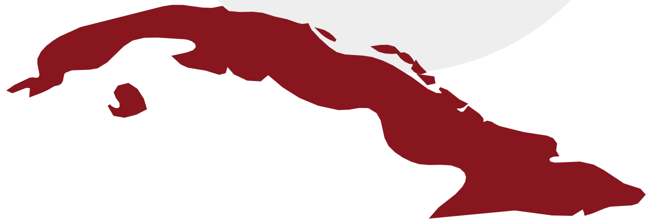
Cuba



1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

Direct foreign investment in Cuba is carried out through: (a) the incorporation of joint ventures between Cuban and foreign legal entities, (b) the incorporation of companies with totally foreign capital, and (c) the signing of international economic association contracts between national and foreign investors without the incorporation of a legal entity separate from the parties. Indirect investment is carried out through the constitution of branches or representations of foreign companies.

Investments in Cuba's energy sector are included in the Portfolio of Opportunities defined annually by the Cuban authorities. Thus, for example, the following projects are included in the Portfolio of Opportunities for the year 2023:

i. Risk-based oil exploration and production sharing contracts in water blocks in the national territory.

ii. Photovoltaic solar parks of 15, 30 and 40 MW, through the incorporation of wholly foreign-owned companies.

iii. Generation of electricity and organic fertiliser from the treatment of wastewater in industrial sugar factories, through the constitution of joint ventures.

iv. Installation and operation of photovoltaic solar panels on rooftops and charging stations, through the establishment of wholly foreign-owned companies.

v. Bioelectric plants in sugar factories, through the constitution of joint ventures.

vi. Wind parks, through the incorporation of wholly foreign-owned companies.

The projects described in (iv) and (vi) are developed both outside and inside the Special Development Zone of Mariel (SDZM), which has additional tax benefits. The remaining projects are developed only outside the SDZM.

b. The tax regime for foreign investment (Law 118 on Foreign Investment) and, in particular, that of the SDZM, have tax benefits with respect to the general tax regime (Law 113 on the Tax System)

c. Whatever the type of investment, the ownership of the properties in 1960 (the year from which the nationalizations began in Cuba), and their subsequent transfers, must be identified in order to determine whether or not the properties can be the subject of claims under Title III of the Helms Burton Act.

Without prejudice to legal considerations such as those set out above, in projects involving the construction and commissioning of electricity production facilities, the figure of the offtaker is key: the creditworthiness of the offtaker is what will determine whether the project is viable (and, where appropriate, bankable).

On the other hand, it is important to bear in mind the characteristics of companies with totally foreign capital to implement the guarantee package when financing renewable energy projects with bank resources: one of the main guarantees is the pledging of bank accounts, rights derived from the sale of electricity and the shares or stock of the company owning the installation. The legal regime governing wholly foreign-owned companies (with the limitations that may exist for a change of ownership) is fundamental in due diligence reports on financing or asset acquisition operations.

	Special SDZM Regime	Law 118 Regime	w 113 Regime
For use of Labour Force	Non-subject	Non-subject	Progressive reduction from 20% in the first year of employment to 5% from the fifth year onwards.
On profits	O% for 10 years and exceptionally for longer period. Thereafter 12%	15%. Exempted from payment for a period of eight years from its incorporation. When the exploitation of natural resources, whether renewable or non-renewable, is involved, the tax rate may be increased by decision of the Council of Ministers. In this case it may be increased by up to fifty percent.	35%
Customs duty for equipment and equipment for investment inversión	Non-subject	Non-subject	Depends on the equipment
On sales or services	O% during the first year of operations. Thereafter 1%	10% of retail sales. 0% during the first year of operations. In the case of wholesale sales, after the first year 50% (1%)	2% wholesaler/ 10% retail.
Social security	14%	14%	14%
Local development contribution	Non-subject	Non-subject	Depends on the locality

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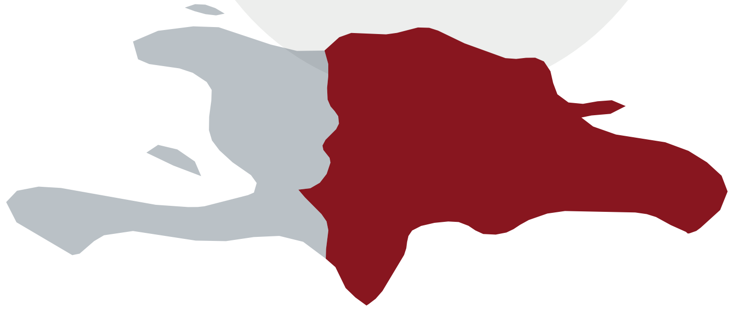
Dominican Republic



1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

In the past few years, the energy sector in the Dominican Republic has seen significant growth, being undoubtedly one of the most prominent industries, mostly because President Luis Abinader has encouraged investments in natural gas and renewable energy, consolidating an existing trend towards diversification of the energy matrix. The enactment of the Public-Private Partnerships Law has enhanced the participation of the Dominican State in infrastructure projects within the energy sector, especially in isolated areas. In that regard, the approachability of the current Dominican government in granting concessions and power purchase agreements have contributed into great extent to start new energy projects from zero. There are currently 12 renewal energy projects under construction: 10 solar projects and 2 wind farms.

However, although there is high expectation from the Dominican government to increase the renewal energy generation, electricity generation in the country is mostly supported on hydrocarbons (coal, natural gas and fuel oil). On December 2022, construction works started of the Manzanillo gas project, which will be the largest combined cycle power plant in the country and among the largest in the region. Located in the northwest of the country (Montecristo Province), and valued in approximately US$1.75 billion, the project consists of two natural gas plants of 420 MW and 392 MW each, a storage tank and a seven-kilometer gas pipeline.

In both conventional and renewals, we have seen in the past years' big transactions, mostly in capitalization and/or partial sale of the operating projects.

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

Law No. 57-07 on Renewable Energy enacted on May 7, 2007 provides a hundred percent (100%) exemption of import tax on equipment, machinery, and accessories imported into the Dominican Republic for the production of renewable sources of energy. The incentive also includes the importation of equipment devoted to the transformation, or interconnection of electric energy to the National Interconnected Power System ("SENI", by its acronym in Spanish). Moreover, this equipment is also exempt from payment of VAT ("ITBIS", by its acronym in Spanish) and from all other taxes that would otherwise be levied on such sales. In connection to the renewable energy technology associated to each project, a credit up to 40% of the cost of equipment investment to be deducted from the income tax to those owners or tenants of family houses, commercial houses or industrial that change or enlarge to renewable sources of energy systems for the provision of their private power consumption and which projects have been approved by the competent government bodies. Such tax credit shall be deducted in the three (3) following years to the tax on the annual income to be paid by the beneficiary in a proportion of 33.33%.

In addition, as for investment incentives, note the following:

- Free convertibility of funds and free access to international currency through local banks and the Central Bank of the Dominican Republic;
- Right to repatriate abroad the total amount invested capital and declared dividends during each fiscal year;
- Right to repatriate obligations resulting from technology service contracts where fees and charges are established (royalties) and similar obligations; and,
- Benefit from a special process and expedited residence in the country, with the same rights conferred by the Immigration Law to foreigners residing in the country.

The Dominican Republic offers an extraordinary opportunity for successful and profitable business. In what concerns to international commerce and trade openness, joint efforts of the government and private sector to strengthen this dimension of the Dominican economy has brought very positive results.

The country's legal system constitutes another incentive for investment. The Dominican economy has experienced a continuous process of regulatory modernization, which has led to the adoption of a variety of measures aimed at opening and commercially integrating the economy into the international markets. Having recognized that the Dominican market depends on international

economic integration, the Dominican government has opted to create a solid legal foundation that allows for sustained economic stability and growth as well as assures freedom and security to the economy's different participants when commercializing goods and services.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

From a regulatory perspective, it is important to take into consideration that mergers and acquisitions and takeovers of a company owning the title of a Definitive Concession for an energy project in the country must obtain prior approval from the corresponding regulators. Accordingly, and as a general rule for M&A and takeover of local companies, no transfer of concession or shares or a Concessionaire entailing a change of control in the Dominican subsidiary, may occur without the prior authorization of the National Energy Commission and the Superintendence of Electricity.

With regards to the requirements, it is important to mention that neither the General Electricity Law nor the Renewable Energy Law provide the specific requirements for this authorization, especially because this will be analysed on a case-by-case basis by each institution. Nonetheless, both laws do mention that the requesting party must provide documentation that demonstrates the technical and economic capability of the entity to which the concession will be transferred to or to whom the corporate control will be transferred to.

From a real estate perspective, it is important to perform an in-depth legal analysis of the real estate properties that will be part of the project, as it is crucial to mitigate the impact of potential litigations during the construction and operation of the project. This is critical for making the project bankable.

If the project is at operational stage, a complete due diligence must be performed over target, specially focused on contracts, financings, labor and tax; being both (labor and tax liabilities) the most important to detect as they are guarantee with a super privilege over the assets of the company.

Currently, there are legislative proposals to make changes to our Civil Code, Labor Code and Energy and Mining Law, which could have an impact on M&A transactions in the country if the same are approved. However, note that government entities tend to respect acquired rights provided by laws; thus, any modification will apply to future projects.

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Ecuador

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

According to the Ecuadorian Constitution, energy is classified as a strategic industry, which grants the state the authority to regulate, control, and administer energy resources. Currently, energy resources are managed by state-owned companies.

As a result of this energy regime, Ecuador does not have a specific energy M&A framework or tax incentives to promote such mergers and acquisitions. Typically, private companies in this industry either serve as suppliers to state-owned companies or participate in bidding processes initiated by the Ecuadorian government.

Although the concept of M&A is not prevalent in this industry, Ecuador has implemented private-public partnerships (PPPs). These agreements allow private companies to participate in projects for the provision of goods or services in exchange for a negotiated fee, which takes into consideration the private company's investment, risk, and work involved.

There are six types of public-private partnerships in Ecuador:

1. Construction.
2. Rehabilitation or improvement of existing infrastructure.
3. Equipment installation.
4. Operation and maintenance.
5. Construction and commercialization of real estate projects
6. Developme.nt of productive research and development activities.

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

The tax incentives associated with PPP agreements include:

- Exemption from income taxes for:
  - Income derived from securities representing obligations issued for public project financing carried out under a public-private partnership, as well as income generated from transactions related to such securities.
  - Yields and benefits obtained from fixed-term deposits in national financial institutions, including returns and benefits distributed by commercial investment trusts resulting from such investments.
- Deductibility and exemption from income tax in Ecuador for payments originating from external financing obtained from foreign financial institutions.

- Depreciation and amortization of assets, considering their nature, useful life, monetary correction, and accounting techniques. This includes depreciation granted for obsolescence and other specified cases, as outlined in the applicable laws and regulations.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

The key considerations for due diligence in private-public partnerships include:

- Obtaining approval for the public project from the Inter-institutional Committee.
- Establishing an Ecuadorian company to participate in the partnership.
- Registering the company in the tax registry.
- Additional requirements may vary depending on the specific type of private-public partnership.

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El Salvador

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

The energy sector of El Salvador can be categorized into four (4) subsectors: electricity, hydrocarbons, bioenergy, and consumption. In turn, there is a subsector that includes the activities of production, transport and commercialization of electrical energy; that is, the generation, transmission, distribution and commercialization of it.

By the year 2050, the National Energy System -SEN- will use resources, technologies, and modern, efficient, and cost-effective infrastructure to supply, transform, transport, and consume energy. End users will have an orderly participation in the entire energy chain thanks to digital technologies and the appropriate regulatory frameworks for it. The current bet is the generation of electricity and new fuels from natural gas, biomass, wind, geothermal, hydroelectric and solar sources.

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

Companies engaging in Renewable Energy benefit from the following exemptions:

- Tax incentives for investments in renewable energies: hydro, geothermal, wind, solar, marine, biogas, biomass.
- 10 years exemption from import taxes.
- 5 years of income tax exemption for generation income +10MW.
- 10 years of ISR exemption on income from generation -10MW.
- Total exemption for income from the sale of "CER".
- 10 years in ISR deduction for costs/expenses to geo.
- Holders of new investments in projects for the installation of power plants for generation, or expansion of existing ones based on renewables.

To benefit from these exemptions, companies must submit a request to the institutions involved, such as the Ministry of Finance, after certification by the General Superintendence of Electricity and Telecommunications, with technical, financial and legal information on the project.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

The Legal Due Diligence for this type of project will focus mainly on the legal and compliance aspects related with the project.

Corporate Aspects

1.1 Revision of the articles of incorporation of the involved parties.
1.2 Revision of the articles of the SPV, in case an SPV is duly formed for the specific project(s).
1.3 Shareholder composition.
1.4 Review of all agreements between the partners.

Documents subject to review:

- Copies of the companies' certificate of incorporation; any certificate of incorporation on change of the name and its current memorandum and articles of association.
- Details of the companies' registered office, branches, agencies, and places of business.
- An ownership chart showing the company, its subsidiaries, and associated companies; and details of any subsidiaries previously owned by the company or any member of the company's group.
- Details of all interests owned by the company (whether directly or indirectly) in any company, partnership, joint venture, or other entity, including a description of the nature and size of each interest.
- Details of the company's directors and the company secretary (if any).
- Copies of the company's shareholders registry, board of directors, and legal books, if they cannot readily be copied, details of where they can be inspected.
- A copy of all subsisting powers of attorney grated by the company, and details of the company's authorized signatories and the terms of their authority.
- All contracts between the asset holding company (SPV) and third parties, to assess that the project is within the usual market parameters, as well as its bankability.

Environmental aspects

Documents subject to review:

- All documents pertaining the activities that are being or will be carried out at the assets owned or occupied by the companies involved in the project.
- Copies of all environmental reports, audits or other assessments relating to the companies or any properties that these own or occupy, or have previously owned or occupied, that were commissioned in the last three years.

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- Details of any known, alleged, or suspected breach by the company of any environmental law.
- Documents related to environmental aspects.

Tax aspects

Documents subject to review:

- Copies of all corporation tax returns submitted in the last five years.
- Details of any tax matters that are, or in the last twelve months have been, the subject of an enquiry by or dispute with relevant tax authority or have given rise to a late payment penalty or warning, whether in relation to corporation tax, income tax, withholding tax, municipal tax, or any other tax matter.
- Confirmation of the existence of proper books and records for all taxation purposes (including such records as may be necessary to support the price paid or charged for any intra-group supply of goods and services, including the lending of money.)
- Details of any overseas assets, shares or business activity conducted outside the Relevant Territory (or confirmation that the company has no interests outside the relevant territory and is not registered, or required to be registered, for tax in any other jurisdiction).
- Details of any capital assets whose base cost for chargeable gains purposes is materially different from their gross book value.
- Details of any scheme into which the SPV has entered, or to which the SPV has been party, its main purpose, or one of the main purposes of which, was the avoidance or deferral of tax (or confirmation that the company has not engaged in any such scheme).
- A detail of any tax planning the seller has implemented or is proposing to implement, which involves, or may involve the involved parties.

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Guatemala

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

Hidrocarbons

There are several contractors that were awarded exploration and exploitation contracts with notoriously insufficient equity, which has led them to delay compliance with their exploration commitments and have even gone so far as to suspend operations (even alleging non-existent causes of force majeure, and to delay processes of vindication of the public resource, in the administrative and judicial way). There are also contractors that breach their commitments to third parties, and to the Government, in relation to the extracted resources. In this way, there may be motivated sellers to seek a strategic exit for their operations.

Renewable Electricicity Generation Projects

There is an installed capacity in Guatemala of more than 3,400 MW, while the demand is at 1,920 MW. Current production exceeds 11,100 gigawatt hours (GWh), and consumption exceeds 10,600 GWh annually, therefore around 1,000 GWh are exported to the region annually.

A legal framework "Ley General de Electricidad" (DC 93-96) has been enacted and been stable for more than 25 years, it has created an institutional framework that has guaranteed long-term investments and has managed to bring electricity coverage from 58% to 92%. % of the population.

Fiscal incentives have managed to change the generation matrix, in favor of renewable generation sources. There is currently enough installed capacity in Guatemala for the local economy. It has even been possible to take advantage of opportunities to export electricity to countries with deficits in the area.

Electric Mobility

Incentives for the promotion and use of electric vehicles, hydrogen vehicles and electric transportation systems.

Incentives for the promotion of station projects that provide the charging service (hydrogen and electric power).

Incentives for assembly and/or production activities of electric vehicles, hybrid vehicles, electric motorcycles, hydrogen-powered vehicles, and electric transportation systems.

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

The 2008 Energy Policy established the diversification of the energy matrix, prioritizing renewable energies. In 2013, the long-term goal of reaching 80% of generation through renewable resources by 2027 was added to the Policy. As a result of the Policy and the investment attraction instruments available, through bidding processes long-term projects carried out in 2010, 2012 and 2013, as reported by the Association of Renewable Energy Generators (AGER), it was possible to add 1,100 MW of capacity corresponding to 86 projects. 80% of the increase in generation capacity was made up of generating plants with small-scale renewable sources.

Tax incentives for the generation of electrical energy with renewable sources constitute one of the factors for attracting investment for projects with renewable sources in Guatemala. Likewise, the dynamics evidenced by the electricity generation matrix also indicates the influence of these tax treatments in fulfilling the objective of strengthening environmental protection. From this account, the cost-benefit of these benefits is considered positive.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

Corporate

i. Concessions in contracts for the public resources usable as energy sources (term of validity, investment commitments).
ii. Power and Power Purchase Agreement (PPA).
iii. Adequate documentation of recoverable investments.
iv. Analysis of compliance with contractual obligations, to identify risks and contingencies.

Environmental Aspects

i. Environmental License: An environmental instrument is required, prepared according to potential impact.
ii. Verification status of ILO Convention 175 on Popular Consultations.
iii. Analysis of potential social conflicts with the community close to projects. Theft of electrical energy, resistance to cut off services in rural areas in arrears.

Taxation

i. ISR Tax Regime (Income or Profits, exemptions).
ii. Foreign Investment Law (Approval of national investment). Foreign Investment Law and its Regulations (Congressional Decree 9-98 and Government Agreement 893-2018).
iii. Fiscal Incentives (temporary).

Production of Electricity from Non-Renewables Sources

i. DC 52-2003, Law of Incentives for the Development of Renewable Energy Projects.
ii. DAI and IMPORT VAT, ISR (10 YEARS).
iii. AG 211-2005, Regulation of the Law of Incentives for the Development of Renewable Energy Projects.
iv. Project Phases: Pre-investment, Execution and Operation.

Electric Mobility (DC 40-2022)

i. The promotion and use of electric vehicles, hydrogen vehicles and electric transportation system is pursued. The purpose of the law is to promote and facilitate the sale, import and use of: electric vehicle, electric or hydrogen-powered motorcycle, hydrogen-powered vehicle, hybrid vehicle, and electric transportation systems such as; all-purpose cable car, funicular, electric train, light rail, tram or trolleybus.
ii. The law also seeks to encourage and promote investment in station projects that provide charging service (hydrogen and electric power). Exemption to Value Added Tax, on the importation of electrical equipment and devices. Income Tax Exemption.
iii. Income Tax Exemption for assembly and/or production activities of electric vehicles, hybrid vehicles, electric motorcycles, hydrogen-powered vehicles, and electric transportation systems.
iv. VAT exemption on the sale and import of components for electrical transport.
v. VAT and ISR exemption in public or collective transport services, through electric vehicle, hybrid vehicle, hydrogen-powered vehicle and electric transport system
vi. The indicated exemptions are established for a period of 10 years from the effective date of the law and according to the specific conditions for each case.

Emerging Law for the Preservation of Employment DC 19-2016:

It incorporates reforms to the Law of Free Zones, which now allows activities related to the exploitation, commercialization, deposit or storage of crude oil, fuel, as well as natural gas to be located in them, or its derivatives.

Hydrocarbons Law (DL 109-83):

Exemption from Customs Duties on Imports and Value Added Tax, temporary or permanent, on equipment and machinery.

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Honduras

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

As of 2022 the Honduran Government declared the electric power service as a public good of national security and a human right, guaranteed by the Honduran State.

In order to set up the financial and corporate environment required to accomplish such feat, the National Electric Company (ENEE) and the IDB entered into negotiations for the financing of all related projects. Furthermore, the IDB announced more than L 1,500 million (US$ 60.877.891,46) in funds dedicated to strengthening the electricity transmission network. Recently (February 2023), the parties signed the pertinent contracts to execute expansion projects and infrastructure works aimed at improving the quality of the service.

A massive emergency rural electrification program through solar and hybrid technology has been put into place, which will require the participation of international and local financial organizations. Also, mergers of significant size are expected for the construction of dams to generate renewable energy and flood control.

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

Companies engaging in Renewable Energy benefit from the following exemptions:

- Exemption from the payment of sales tax for all equipment, materials and services, for the generation process, and the respective infrastructure.
- Exemption from payment of Income Tax, temporary solidarity contribution, Net Asset Tax, Capital's Gain Tax, and all taxes related to income for 10 years in qualified projects.
- Exemption from Income Tax, and tax withholding on payments for services or fees for necessary feasibility studies, development, installation, engineering, management, construction of energy production projects

To qualify for these exemptions, the companies must submit an application to the Franchise Department, with technical, financial and legal information of the project.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

The Legal Due Diligence for this type of project will focus mainly on the legal and compliance aspects related to the project.

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Corporate Aspects

A- Revision of the articles of incorporation of the involved parties.
B- Revision of the articles of the SPV, in case an SPV is duly formed for the specific project (s)
C- Shareholder composition
D- Review of all agreements between the partners

Documents subject to review:

- Copies of the companies' certificate of incorporation; any certificate of incorporation on change of the name and its current memorandum and articles of association.
- Details of the companies' registered office, branches, agencies, and places of business.
- An ownership chart showing the company, its subsidiaries, and associated companies; and details of any subsidiaries previously owned by the company or any member of the company's group.
- Details of all interests owned by the company (whether directly or indirectly) in any company, partnership, joint venture, or other entity, including a description of the nature and size of each interest.
- Details of the company's directors and the company secretary (if any).
- Copies of the company's shareholders registry, board of directors, and legal books, if they cannot readily be copied, details of where they can be inspected.
- A copy of all subsisting powers of attorney granted by the company, and details of the company's authorized signatories and the terms of their authority.
- All contracts between the asset holding company (SPV) and third parties, to assess that the project is within the usual market parameters, as well as its bankability.

Environmental - Documents subject to review:

- All documents pertaining the activities that are being or will be carried out at the assets owned or occupied by the companies involved in the project.
- Copies of all environmental reports, audits or other assessments relating to the companies or any properties that these own or occupy, or have previously owned or occupied, that were commissioned in the last three years.
- Details of any known, alleged, or suspected breach by the company of any environmental law.
- Documents related to environmental aspects.

Tax - Documents subject to review:

- Copies of all corporation tax returns submitted in the last five years.
- Details of any tax matters that are, or in the last twelve months have been, the subject of an enquiry by or dispute with relevant tax authority or have given rise to a late payment penalty or warning, whether in relation to corporation tax, income tax, withholding tax, municipal tax, or any other tax matter.
- Confirmation of the existence of proper books and records for all taxation purposes (including such records as may be necessary to support the price paid or charged for any intra-group supply of goods and services, including the lending of money.)
- Details of any overseas assets, shares or business activity conducted outside the Relevant Territory (or confirmation that the company has no interests outside the relevant territory and is not registered, or required to be registered, for tax in any other jurisdiction).
- Details of any capital assets whose base cost for chargeable gains purposes is materially different from their gross book value.
- Details of any scheme into which the SPV has entered, or to which the SPV has been party, its main purpose, or one of the main purposes of which, was the avoidance or deferral of tax (or confirmation that the company has not engaged in any such scheme).
- A detail of any tax planning the seller has implemented or is proposing to implement, which involves, or may involve the involved parties.

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Energy · LATAM

Mexico

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

During the last five years, the energy sector has undergone substantial changes in its regulatory framework, resulting in a modification to the conditions under which investors have previously contemplated their participation in the national energy market. Regarding those changes affecting attraction of investors into the generation of enery, it should be highlighted that the amendments done by the Mexican government, have triggered the sale of participation in the energy sector, such as the sale of a platform with a capacity of 1GW owned by EVM in favor of Actis.

Likewise, the regulatory amendments have also caused the partial and/or total withdrawal of investment by some companies. As an example, recently the National Infrastructure Fund (a coordination vehicle of the Federal Public Administration) purchased 13 power plants from Iberdrola.

2.TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

The existing tax framework in Mexico includes some benefits that seek to encourage the use of clean energies:

- Taxpayers are allowed to have an accelerated depreciation equivalent to 100% of the investments made in machinery and equipment used for generation of energy from renewable sources or efficient energy through co-generation systems.
- Concerning taxpayers dedicated exclusively to the generation of energy from renewable sources or efficient energy through co-generation systems, that have taken the accelerated deduction of their investments in machinery and equipment, shall maintain 'Tax Profit Account from Investments in Renewable Energy', which will serve to distribute Income Tax free dividends.
- A tax credit equivalent to 30% of investments made in charge stations for electric vehicles made in public spaces. The credit referred to can be applied against the Year Income Tax determined by the taxpayers and can be carried forward for up to ten fiscal years.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

To be part of the Energy Sector in Mexico, it is mandatory to obtain diverse permits/ authorizations, which vary depending on the activities to be developed by the permit holder. It is necessary to understand that not all stages are open to private investment, reason why is advisable to analyze the scope of activities to be performed and consequently determine the required permits.

4. SONORA PLAN

On February 2, 2022, the Mexican Federal Government announced the "Sonora Plan," by which an investment of approximately forty-eight billion dollars will be made; said investment is aimed at developing lithium extraction, building, and operating of a Photovoltaic Plant in Puerto Peñasco, Sonora, which would be the largest Photovoltaic Plant in Latin America and the eighth largest worldwide.

This plan is executed under a new model that cares for the sustainable development of Mexico and the generation of renewable energies, which will allow Mexico to become one of the main generators of clean energy in Latin America.

The Mexican Government will seek to add private capital investment to the Sonora Plan under the condition that the Federal Electricity Commission will be the main shareholder of each solar park.

Undoubtedly, this will be one of the most relevant matters within the country's energy sector; therefore, it will be necessary to closely follow the implementation of Plan Sonora, its development, and the impact it generates within this sector.

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Nicaragua

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

The Ministry of Energy and Mines works based on the 2019-2033 Electric Generation Expansion Plan, which estimates a demand projection with an average growth in power of 3.94% and in energy of 4.34%, for which it has been identified a portfolio of generation projects in areas such as wind, photovoltaic, biomass, hydroelectric, geothermal, thermal, seeking to have 70% generation based on renewable energy by 2033

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

Companies engaging in Renewable Energy benefit from the following exemptions:

- Exemption from the payment of sales and customs taxes for all equipment, materials and services, for the stages of pre-investment and construction of the infrastructure.
- Exemption from payment of Income Tax for 7 years.
- Exemption of all municipal taxes for 5 years for the geothermal projects and 10 years for renewable projects

To qualify for these exemptions, the companies must apply to the Ministry of Energy and Mine, with technical, financial and legal information of the project.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

The Legal Due Diligence for this type of project will focus mainly on the legal and compliance aspects related to the project.

Corporate Aspects

- Revision of the articles of incorporation and bylaws of the involved parties.
- Shareholder composition and minutes book.
- Review of all possible agreements between the partners.

Documents subject to review:

- Copies of the companies' certificate of incorporation; any certificate of incorporation on change of the name and its current articles of association and bylaws.
- Details of the companies' registered office, branches, agencies, and places of business.
- An ownership chart showing the company, its subsidiaries, and associated companies; and details of any subsidiaries previously owned by the company or any member of the company's group.
- Details of all interests owned by the company (whether directly or indirectly) in any company, partnership, joint venture, or other entity, including a description of the nature and size of each interest.
- Details of the company's directors and the company secretary (if any).
- Copies of the company's shareholders registry, board of directors, and legal books, if they cannot readily be copied, details of where they can be inspected.
- A copy of all subsisting powers of attorney granted by the company, and details of the company's authorized signatories and the terms of their authority.
- All contracts between the asset holding company (SPV as of "Special Purpose Vehicle") and third parties, to assess that the project is within the usual market parameters, as well as its bankability.

Environmental aspects - Documents subject to review:

- All documents pertaining the activities that are being or will be carried out at the assets owned or occupied by the companies involved in the project.
- Copies of all environmental reports, audits or other assessments relating to the companies or any properties that these own or occupy, or have previously owned or occupied, that were commissioned in the last three years.
- Details of any known, alleged, or suspected breach by the company of any environmental law.
- Documents related to environmental aspects.

Tax aspects -Documents subject to review:

- Copies of all corporation tax returns submitted in the last five years.
- Details of any tax matters that are, or in the last twelve months have been, the subject of an enquiry by or dispute with relevant tax authority or have given rise to a late payment penalty or warning, whether in relation to corporation tax, income tax, withholding tax, municipal tax, or any other tax matter.
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A detail of any tax planning the seller has implemented or is proposing to implement, which involves, or may involve the involved parties.

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Energy · LATAM

Panama

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

Panama is on track to meet the renewable energy targets set out in the National Energy Plan, which seeks to raise the share of green energy to 70%.

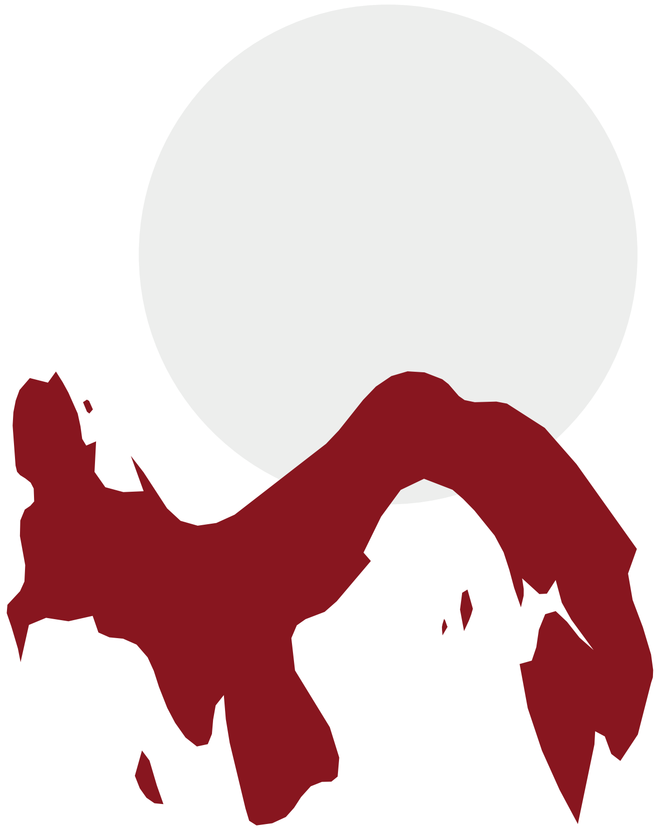
According to the National Secretariat of Energy (SNE), it is expected in a short time, that Panama can become an example to follow for Central America if it uses its potential to generate 70% of electricity from hydroelectric, wind and solar resources.

So far, 60% of electricity consumption in Panama comes from hydroelectric generation, 32% from thermal, 7% from wind and 1% from self-generation. Calculations by Empresa de Transmisión Eléctrica, S.A. reveal that in the last ten years the average annual growth in energy demand has been 4.99% and in energy consumption, 6.2%, higher than other countries in Central and South America.

Currently, the company AES Panama is building the first electricity generation plant in the country in the province of Colón.

Another project that will bring clean energy to Panama's energy matrix will be the Toabré Wind Farm, which began construction in May by the Spanish Audax Renovables, with a total investment of more than $150 million. The project includes the municipalities of Penonomé and Antón, in the province of Coclé, and includes the installation of 20 Vestas V117 turbines. The contractors estimate that the construction period of the plant will last a maximum of 22 months.

In April 2023. The National Secretariat of Energy (SNE) made the official launch of the Public Consultation that seeks to strengthen the National Strategy for Green Hydrogen and Derivatives in Panama (ENHIVE)



Gatun Generator, natural gas-based power generation plant. It is currently 50% complete and expects to enter operation in July 2024, seeking to provide reliability and stability to the electricity system, adding 670 MW of cleaner capacity to the energy matrix.

The National Secretariat of Energy promotes Electric Mobility through an innovative tool that makes it easier for users to replace vehicle fleets with electric models. It's simple and friendly handling also facilitates the achievement of the objectives of the National Electric Mobility Strategy (ENME). It was designed with the support of the Inter-American Development Bank (IDB) and the support of the consulting firm Hinicio, under the leadership of the Ministry of Energy, with the support of the Energy Managers Program for the collection of inputs and information. In Panama, it is estimated that 60% of GHG emissions correspond to the transport sector. As part of ENME's objectives, it is expected that between 25% and 50% of the public fleet in Panama will be electric by 2030. With a view to initiating this transition progressively, this tool has been developed for the planning of the electrification of the public fleet in Panama.

2.TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

The Panamanian government promotes a series of incentives that are reflected in Law 37 of June 2013, with the intention of promoting constructions related to solar energy. These are the 3 main tax benefits for the development or promotion of renewable energies in Panama discover how to benefit from them.

Free of Import Tax

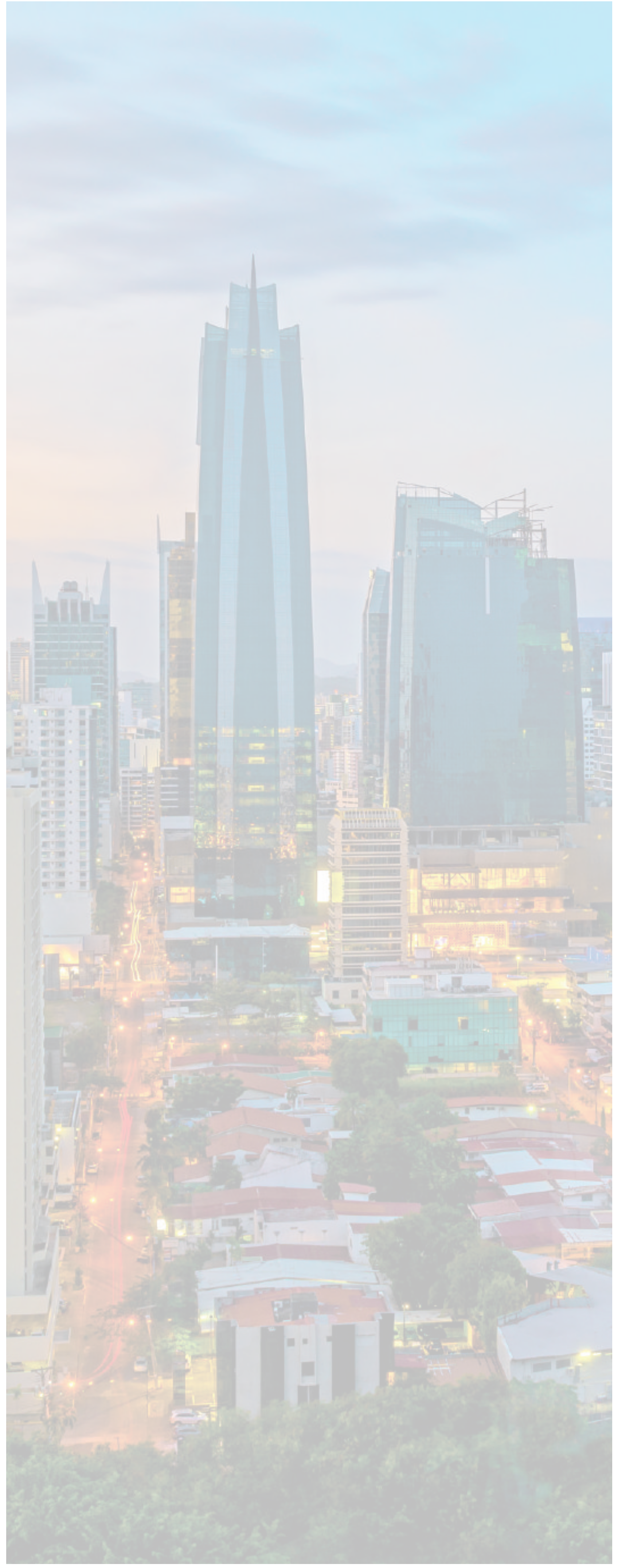
Importation of equipment related to renewable energy is exempt of import taxes, duties, fees, contributions, and levies. Nor should you pay the tax on the transfer of movable tangible property and provision of services that may be generated given the import and/or purchases in the national market of equipment, machines, materials, spare parts, etc., necessary for the construction, operation, and maintenance of solar installations.

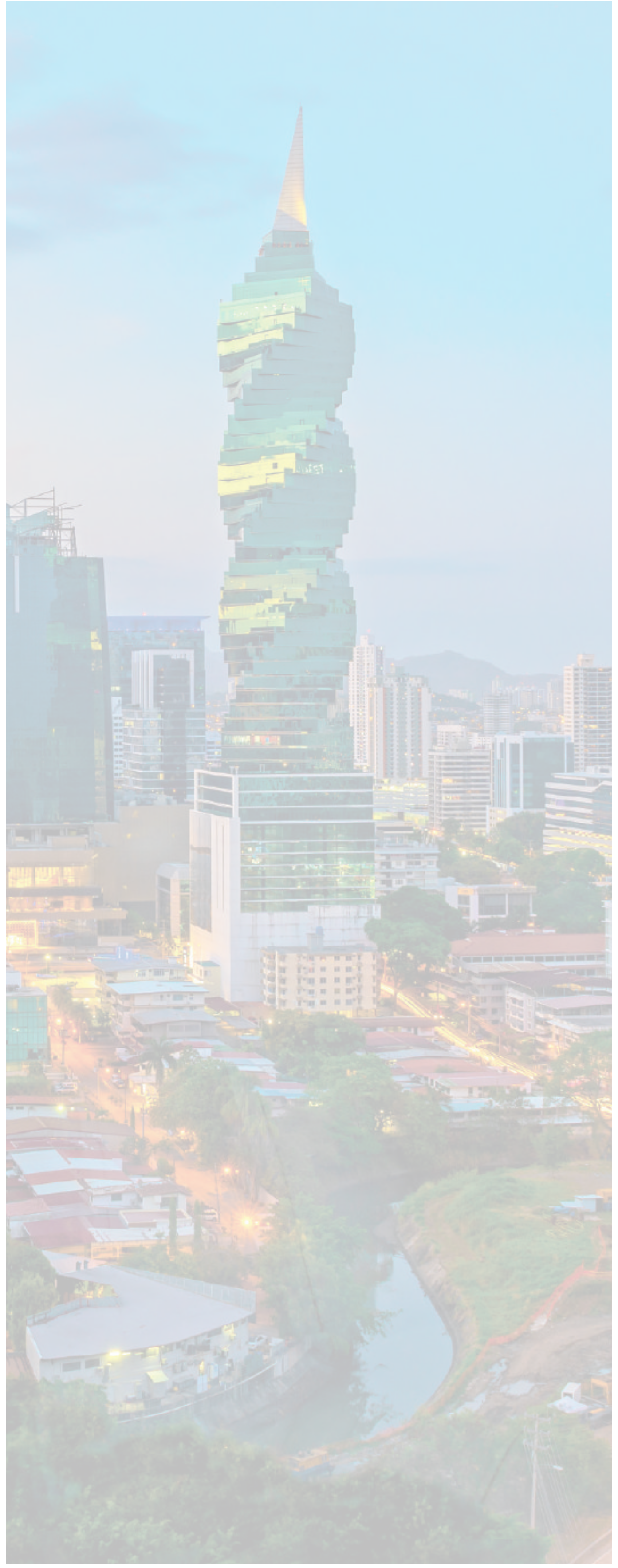
Tax Credit for Solar Installations

A tax credit on the investment of the work of solar installations is granted. The tax credit is an economic amount in your favor when it comes to settling a tax. This allows you to pay less taxes or have a balance in favor of the collecting or taxing authority.

A tax credit of a maximum of 5% of the total value of the investment of works for solar installations, which become public infrastructure (roads, bridges, health centers, education centers). The works must be previously evaluated by the public entity that receives them and in coordination with the Ministry of Economy and Finance.

This credit will be applicable to income tax paid in each tax period. It may not be subject to set-off, assignment or transfer.





Accelerated Equipment Amortization

An accelerated amortization of the equipment destined to the use of renewable energy is granted. Considering that accelerated depreciation is an accounting method to recognize the decrease in the value of an item of property, plant, and equipment during its useful life. The idea is that, by deducting more expenses in the first years of an asset's life, you can amortize the cost of certain assets more quickly than with traditional straight-line depreciation methods.

Another incentive is the use of the accelerated depreciation method of equipment intended for the use of renewable energy, so that the net profit of the natural or legal person that uses such energy for commercial purposes is affected to a lesser extent.

How to get incentives for solar energy

To qualify for the incentives offered by the Government for investments in the solar energy sector, in addition to presenting proof that the equipment, parts and systems, it is necessary to file an application before the pertinent government entity and attach the following documents among others:

- A generation license or concession granted by the National Authority of Public Services, in case of a provision of the public electricity service.
- A Certification from the National Secretariat of Energy, in the case of a different activity.

The solar equipment that can benefit from these incentives when imported into Panama are:

- Solar water or heat production heaters.
- Parts and components necessary to assemble in the country the solar collectors for calendar water and / or drying equipment by solar energy.
- Individual solar panels and cells.
- Long-lasting stationary accumulators.
- Inverters and/or solar converters.
- Other accessories, equipment, computer programs and other inputs that by their nature are intended for the use and / or development of solar energy (They must be approved by resolution issued by the National Secretariat of Energy in coordination with the Ministry of Economy and Finance).

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

All legal entities in Panama must comply with certain requirements according to Panamanian regulations on international fiscal transparency for the prevention of money laundering, the financing of terrorism and the financing of the proliferation of weapons of mass destruction, to comply with the international standards required by the Organization for Economic Cooperation and Development (OECD) and the Financial Action Task Force (FATF) as follows:

- Complete due diligence forms.
- Complete the natural person form for each person who is part of the company, such as: directors, officers, beneficial owners, shareholders, legal representative, and attorneys of the corporation.
- Provide information and supporting documents for each natural person.
- If the shareholder is a legal entity, it will be necessary to provide additional information until the disclosure of the final beneficial owner behind the corporate structure.
- All legal entities incorporated in Panama must keep accounting records and provide a copy to its Resident Agent.

If the legal entity operates and do business in Panama, it must submit annual financial statements and tax returns to the General Directorate of Revenue (DGI). If the legal entity is an Offshore, it should only provide its Resident Agent with information about who is the person who keeps the accounting records and the place where records are kept.

All records must be kept updated regularly and the Resident Agent must be informed of any change in the structure of the corporation.

These requirements are mandatory for all legal entities incorporated in Panama, regardless of their nationality or residence. Failure to comply with them may result in fines, penalties, or legal action.

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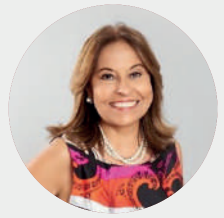

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Peru

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

In Peru is estimated to have more than 800 thousand tons of lithium. Lithium exploitation would be a great opportunity for investors due to factors such as: (a) the global energy transition, (b) the increase in global energy prices, (c) Peruvian position as world logistic hub in the Pacific Ocean, and (d) macroeconomic stability in Peru during last 30 years.

Lithium, also known as the "white gold", is used in various industries to produce batteries for mobile phones, laptops, electronic vehicles, among others.

In 2017, Macusani Yellowcake's, a branch of the Canadian company American Lithium, discovered a significant deposit of this mineral in the province of Carabaya in the department of Puno. Currently, the project is in the pre- exploration phase.

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

Currently, the main tax incentives promoted in Peru for investors are related to the early recovery of the IGV (Value Added Tax) and accelerated depreciation for buildings and constructions.

Within the framework of an investment commitment with the Peruvian State, which amount is not less than USD 5'000,000 and the investment project is in preoperative phase, the investors may recover early the IGV (VAT) paid for capital goods, services and construction agreements.

On the other hand, investors may apply an annual depreciation rate of 33.33% for buildings and constructions if the construction is started from january 1st, 2023 and by december 31st, 2024 at least 80% of the construction is completed. This rate also may apply to buildings and constructions acquired by the investors if the conditions referred are met.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

The main considerations that energy sector investor must know for their M&A operations are provided by the specific antitrust legislation in the electricity sector and the prior control of corporate concentration operations (since 2021).

Regarding specific regulation, as long as the acts of concentration (mergers, incorporation of companies, share acquisitions, etc.) in the activities of generation, transmission and distribution of energy do not imply a damage or restriction to competition, they will be allowed even if they are carried out by the same holder.

Additionally, for a concentration operation to be subject to the prior control procedure, it must exceed the thresholds of 118,000 UIT (approximately USD 154'000,000). In this case, the competent authority to evaluate this type of request is the National Institute for the Defense of Competition and Protection of Intellectual Property (INDECOPI), whose role is to promote free competition and economic efficiency in the Peruvian market.

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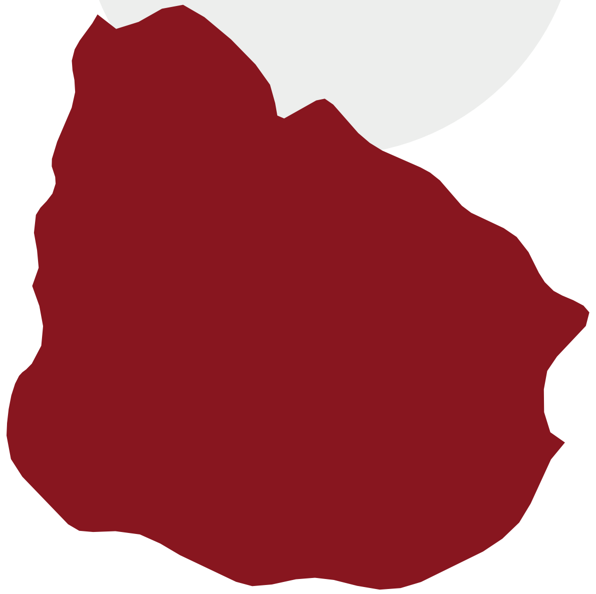
Uruguay



1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

In recent years, Uruguay has taken significant steps and has transformed the energy matrix towards a majority presence of renewable energies, ratifying the path towards environmental sustainability of renewable energies. As an example, between 2017 and 2021, 94% of Uruguay's electricity generation originated from renewable sources. Uruguay currently allocates approximately 3% of its Gross Domestic Product (GDP) to energy infrastructure.

The International Renewable Energy Agency (IRENA) highlights Uruguay's achievement of incorporating strong private participation in investment through innovative promotion schemes without relying on direct subsidies.

The achievements are reflected in the diversification of the energy matrix, the security of self-sufficiency and the reduction of dependence on fossil fuels. Uruguay is currently the second country in the world with the highest share of variable renewable energies according to the REN21 report (2022).

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

Uruguay's Investment Promotion and Protection Law No. 16,906 provides an incentive framework for investments in the country, this regime applies with equal guarantees to both foreign and domestic investors.

The Uruguayan regulatory framework establishes tax benefits for investment projects based on the fulfillment of goals related to the generation of productive employment, improvement of the decentralization process, increase in exports, use of clean technologies, investments in research, development and innovation and contribution to sectorial activities of the economy.

The qualification of promoted activity implies the enjoyment of tax benefits related to the exoneration of the Income Tax on Economic Activities (IRAE) of the income generated in the activities.

In order to have access to the above-mentioned benefits, the companies that develop these activities must present before the Application Commission (COMAP) the corresponding request for exoneration in which they must establish: a) the activity in merit of which the exoneration is requested; b) the investments in machinery, components, equipment and inputs to be made, discriminating the type, value and quantity of such goods, and; c) Renewable energy purchase and sale contracts.

Energy · LATAM

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

Legal due diligence for such projects will focus primarily on the legal and compliance issues associated with the project.

From the point of view of legal due diligence, the investigation of medium or large companies under Uruguayan standards usually requires the participation of experts in labor law, corporate law, commercial law, notarial law, environmental law, tax law, intellectual property law, antitrust and litigation specialist.

The immediate objective of due diligence is to obtain information. In any purchase or sale of shares, there is usually an asymmetry of information between the buyer and the seller. The purpose of due diligence is to reduce this asymmetry by providing information to the buyer so that he can better decide whether to invest and on what terms.

In the context of a share sale and purchase, the objectives of the due diligence process are usually the following: a) determine whether there is a reason to interrupt negotiations ("deal breaker"); b) negotiate the price; c) to obtain contractual protections; and d) to obtain information to be used post-takeover.

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Venezuela

1. ENERGY: What is hot/moving in your jurisdiction in terms of energy M&A opportunities?

It is not a secret that Venezuelan oil reserves are one of the most important globally, although Venezuela has resources to make use of cleaner energies. For administration and potential customers, the oil industry will always be the main business option.

However, it is a country that has great opportunities in the wind energy sector, since some areas, due to their geographical position, are of great advantage for this activity. Likewise, Venezuela is a country where water is its main source of energy. Green hydrogen could be produced in Venezuela perfectly from hydroelectric power plants, stored, then transported as gas, and finally transformed into useful energy for consumption. The same applies to solar energy.

Due to its location in the north of Venezuela and the year-round presence of the trade winds, which blow northeast-southwest, high wind speeds of between 8 and 9 meters per second are possible: Between 8 and 9 meters per second, the peninsulas of La Guajira and Paraguaná in the State of Falcón are privileged areas for the use of wind energy; the State of Sucre, Margarita Island and other Caribbean islands (Los Roques, La Tortuga, La Orchila, Los Monjes and La Blanquilla) have also been considered for projects of this nature within the framework of the National Wind Energy Plan, issued by the National Executive in 2008.

On the other hand, the Second Socialist Plan for the Economic and Social Development of the Nation 2013-2019 (Plan de la Patria) includes among its objectives "To develop wind energy generation projects to increase its participation in the energy matrix".

In Venezuela, there is no special regulation on the use and exploitation of wind energy and its storage; neither is there a special regulation for green hydrogen, but currently, the National Assembly is discussing a draft of the "Renewable and Alternative Energies Law", which is in the public consultation phase.

On the other hand, despite the sanctions imposed on the Venezuelan government, there are still investments in the country, especially in the mineral and hydrocarbon sectors; this improvement is attributed to the "Chevron effect" and other agreements with OFAC.

There continues to be interest, intention and action in the oil sector.

2. TAX: What type of tax incentives promote energy M&A opportunities in your jurisdiction and how does an investor qualify for them?

Currently, there are no tax incentives promoting energy M&A in Venezuela. However, the Venezuelan government has been trying to attract direct Foreign investments in the oil & gas industry and the US government has relaxed some of its sanctions, by awarding certain licenses to oil & gas operators and allowing them to resume operations.

In addition, the recently enacted Law of Special Economic Zones (LZEE), sets forth incentives for new investments in those territories. Among the sectors that the LZEE intends to develop is the industrial sector and within this sector: the energy sector in any of its categories. Regarding incentives for investment in the SEZs, only legal entities that effectively execute projects in the SEZs and that have signed the respective economic activity agreement may be beneficiaries.

In general, the incentives provided by the LZEE for the people who operate in them are:

A. Tax refunds in matters of national taxes, in accordance with the parameters established by the National Executive through the Decree creating the respective EEZ.

B. Drawback of import tax, in accordance with the criteria also determined by the National Executive in the Decree creating the EEZ and whose procedure for determination, payment, among other aspects, will be governed by the applicable customs regulations.

C. The management of procedures through the single window for the SEZs, which will be integrated into the Single Window for Foreign Trade (VUCE), and whose purpose will be the simplification and automation of procedures.

D. Users of the EEZ who intend to use the special customs regime of Temporary Admission for Inward Processing when importing raw materials, parts or pieces, inputs, etc., necessary to achieve the execution of a project, will obtain the best advantages offered by customs regulations in this matter.

E The economic activities carried out in the EEZ shall be governed by a system of free convertibility; as well as, for the financing plans offered by banking institutions, in accordance with the rules issued by the Central Bank of Venezuela and the Ministry of Economy, Finance and Foreign Trade.

Regarding tax issues related to investment it is important to bear in mind that the thin capitalization ratio is one to one, so it is important to consider that in the funding and investment plan and structure.

3. CORPORATE / M&A: What are the main due diligence considerations for energy M&A opportunities in your jurisdiction?

Energy M&A opportunities should be treated like any other M&A transactions in terms of due diligence review. Nevertheless, for Venezuela transactions, there are certain additional due diligence considerations worth mentioning.

The first due diligence consideration would be counterpartying due diligence. Given that several Venezuelan individuals and government officials and entities have been sanctioned by the United States and other foreign governments', it is imperative to rule out transactions with sanctioned counterparties. Please note that transactions with the Venezuela private sector are not sanctioned by those foreign governments, but care should be taken when evaluating ultimate beneficial owners.

A second consideration is anti-bribery/anti-corruption issues. Lamentably, Venezuela has a 177/180 CPI ranking in Transparency International's Corruption Perceptions Index (CPI), which measures how corrupt each country's public sector is perceived to be, according to experts and businesspeople. Therefore, before executing any energy M&A transaction it is advisable to dig deep into the counterparty's dealings with the public sector to rule out any foul play.

A third consideration is ESG. Not many Venezuelan companies are familiar with ESG and/or SDGs. Thus, it should be expected that companies will not have the right policies in place and that financial statements will not properly reflect ESG or SDG advances. This may be an area of opportunity warranting a reduction in price or better business terms.

Finally, if the transaction is with the public sector and the entity is not sanctioned, it is very important to understand how the energy will be paid and the legality of the transaction under Venezuelan Law.

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