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- CORPORATE FINANCE
 - INVESTMENT PROJECTS
 - BUSINESS STRUCTURING
 - MERGERS & ACQUISITIONS
 - VALUATION
 - CONTROLLING & REPORTING

Renewable Energy and Power Efficiency Projects Tax Benefits and Financial Incentives

In the last years it had been taken several actions to encourage the diversification of the energy matrix through the use of **non-conventional renewable energy** based on domestic resources designed to reduce consumption of fossil fuels (oil) and the importation of electricity (high-cost) of our neighbour countries.

Renewable Energy in Uruguay

The energies from non-conventional natural resources are:

i) Medium and large scale: wind farms, biofuels and biomass energy production (nowadays only energy generation from waste generated in the forestry sector is rewarded), among others.

ii) small-scale: **wind turbines and solar photovoltaic panels** for the operation of electric motors, water pumping, grain drying, irrigation, cold storage and **thermal solar panels** used for water heating.

Investment in Energy Efficiency

Projects are considered as energy efficiency when they make changes to save electrical energy from the network power or derived from fossil fuel by substituting non-traditional renewable energy to diversify the energy matrix and reducing greenhouse gas emissions.

Investments which lead to the same product or service using less energy are also considered.

Tax Benefits

Companies investing in both energy efficiency and in renewable energy projects may submit to the COMAP (Implementation Commission of the Economy Ministry) **and make exemptions in Income Tax, Wealth Tax, Fees and Taxes on Imports, among other benefits.**

In the scope of the Law 16.906 and Decree 02/2012 about Investment Promotion, it should be highlighted that one of the indicators considered to apply for tax benefits by this law is

the use of clean technology, which includes, among others, investments in "Renewable Energy" and "Energy Efficiency". We point out that having only 5% of the total investment in this kind of projects, it is possible to apply for substantial tax benefits.

Additionally, the current regulatory framework encourages companies interested in Power Generation, energy generation, conversion, manufacture of equipment and energy services, **Decree 354/09 provides direct tax exemptions.**

Financial Incentives

The "**Fideicomiso de Eficiencia Energética**" (Energy Efficiency Trust) was created to provide guarantees for the financing of both technical assistance and equipment for investment projects. The guarantees cover up to a limit of 60% of the total amount financed by a financial institution.

The financing may also be obtained directly through an ESCO, which are companies that provide technical services for the development of such projects.

Opportunities for the Entrepreneur

Within the current legal framework, tax benefits and financial incentives stimulate companies to take advantage of new projects in energy efficiency and/or renewable energy to reduce costs and improve competitiveness.

It should be also emphasized that **Decree 173/10 set down that UTE could buy the excess** from the renewable energy micro generation.

In conclusion, Uruguay presents good opportunities for investors to participate in the renewable energy business and in its related activities.

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