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LAW TO FACILITATE THE DEVELOPMENT OF SHALLOW GEOTHERMAL ENERGY UTILIZATION PROJECTS IS PUBLISHED

On November 4, 2024, **Law No. 21,711** was published, which perfects **Law No. 19,657** on geothermal energy concessions for the development of shallow geothermal energy utilization projects (the "Law"). As its name indicates, the Law aims to promote the development of **shallow utilization projects** that make **direct use of geothermal energy** , exempting them from the concession regime.

General context

• Geothermal energy and its uses

• Geothermal energy is the energy obtained from the natural heat of the earth.
• It can be used to generate electricity or directly without converting it into electricity.
• Shallow utilization refers to the direct use of geothermal energy found at shallow depths and low temperatures.

• Geothermal Law

• The utilization of geothermal energy is primarily regulated by Law No. 19,657 on Geothermal Energy Concessions (the "Geothermal Law") and its regulations.
• Geothermal energy is a state-owned resource, and thus it can only be explored and exploited after granting a concession. The Geothermal Law regulates the granting of exploration and exploitation concessions for geothermal energy and the rights and obligations that arise from them.
• However, the Geothermal Law was designed to enable the realization of large electrical projects, which have very different characteristics and magnitudes from shallow utilization projects, both in terms of required investment, occupied surface, environmental impact, area of influence, safety requirements, technical complexity, etc.

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Purpose of the Law

In light of the above, the Law introduces various amendments to the Geothermal Law to facilitate the development of shallow geothermal energy utilization, exempting them from the concession regime.

Main amendments regarding shallow utilization

The main amendments to the Geothermal Law introduced regarding shallow geothermal energy utilization are as follows:

• The direct use of geothermal energy and shallow utilization is regulated, defining the latter as the use of natural heat from the earth found between the ground surface and 400 meters deep, with an average temperature of up to 90 degrees Celsius.
• Shallow utilization that directly uses geothermal energy is excluded from the concession regime. Consequently, shallow utilization projects will not require a geothermal energy concession to operate.
• The relationships between geothermal concessionaires and holders of shallow utilization over the concession area are regulated.
• The National Registry of Shallow Utilizations of geothermal energy (the "Registry") is established, managed by the Ministry of Energy (the "Ministry").Those obliged to register are:

• Shallow utilizations, whether with or without a geothermal energy concession, before starting operations; and
• Shallow utilizations currently in operation, within one year from the enactment of the regulation on the Registry.

Other amendments

Additionally, other amendments to the Geothermal Law, include:

• Physical characteristics of the concession. The shape and dimensions of the upper surface of a geothermal energy concession are made more flexible.
• Supervision powers. The regime for supervising and sanctioning violations of the Geothermal Law, its regulations, and technical standards is modified, transferring these powers from the Ministry to the Superintendence of Electricity and Fuels. The purpose of the foregoing is to separate the regulatory and oversight functions into

two different administrative bodies.
• Concession cadastre. The function of maintaining the public cadastre of geothermal energy concessions is transferred from the National Geology and Mining Service to the Ministry.
• Water rights. The underground water rights granted by the Geothermal Law to the geothermal concessionaire are restricted, limiting them to the waters necessary for exploration and exploitation work, and establishing other restrictions based on the sustainability of the aquifer.Furthermore, (a) the period for the geothermal concessionaire to inform the General Water Bureau (Dirección General de Aguas) about discovered waters is reduced (from six months to 90 days); (b) the content of the information to be provided is expanded; and (c) the water rights lapse in case of non-compliance with the information obligation.
• Geothermal safety: The Ministry is mandated to issue regulations establishing general safety standards for the use of geothermal energy, including the prevention and control of risks to life, health, and safety of people, the protection of geothermal resource sustainability, and the protection of installations and infrastructure.

Entry into force of the Law

• The provisions related to shallow geothermal energy utilization and geothermal safety will come into force upon the publication of the regulations on the Registry and geothermal safety in the Official Gazette.These regulations must be issued within 18 months from the date of publication of the Law in the Official Gazette.
• The other provisions of the Law come into force upon its publication in the Official Gazette.

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