

## 2. INSTITUTIONAL AND REGULATORY FRAMEWORK

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The success of the energy sector is partly due to the existence of an energy policy that sets a clear course and establishes a solid institutional framework and a regulatory framework that is attractive to investors.

Uruguay's Energy Policy 2005-2030<sup>1</sup> has become a State policy that establishes the main long-term guidelines in the field of energy at the national level. It was approved by the Executive Power in 2008 and ratified by a Multiparty Energy Commission in Parliament in 2010.

It is based on four elements:

- The strategic guidelines, which define the major conceptual core areas of the energy policy.
- The goals to be achieved in the short (five years), medium (10 to 15 years) and long (20 years and more) terms.
- The lines of action necessary to achieve the goals.
- The permanent analysis of the energy situation in the country, in the region and in the world.

The energy policy is committed to the diversification of the energy matrix, the incorporation of local sources in general and renewable energies in particular. This commitment has several objectives, the most outstanding of which are: achieving energy sovereignty, reducing costs, activating the national energy industry, and lowering dependence on oil.

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<sup>1</sup> See more information: [Energy Policy 2005-2030](#).

## 2.1. INSTITUTIONAL FRAMEWORK



Ministerio  
de Industria,  
Energía y Minería

Executing unit of the Ministry of Industry, Energy and Mining (MIEM), responsible for proposing and coordinating the national energy policy. Among its main duties are to coordinate and guide the actions of actors operating in the energy sector and to participate in the elaboration of legal and regulatory frameworks for energy activities.

Website: [www.miem.gub.uy/energia](http://www.miem.gub.uy/energia)



La energía que nos une

The National Administration of Power Plants and Electric Transmissions (UTE) is a state-owned company engaged in the generation, transmission, distribution, and commercialization of electricity. Although there is a spot market, the vast majority of private power generators sell their electricity to UTE.

Website: [www.ute.com.uy](http://www.ute.com.uy)



State-owned company that carries out various activities in the production, distribution and commercialization of fuels, alcohol and portland cement. For the operation in these markets, it participates directly and as a shareholder (in many cases a majority shareholder) or owner of several companies that operate across some of these business lines. In the area of energy, the activities related to natural gas and liquid fuels stand out. In terms of renewable energies, the company ALUR—a producer of biofuels—has ANCAP as a majority shareholder.

Website: [www.ancap.com.uy](http://www.ancap.com.uy)



The sector's regulatory agency is the Energy and Water Services Regulatory Unit (URSEA), created as a decentralized agency of the Executive Power, with control authority over the electricity, gas, and hydrocarbons markets in which the aforementioned public companies operate.

Website: [www.ursea.gub.uy](http://www.ursea.gub.uy)


The Electricity Market Administration is a non-state public entity that administers the wholesale electricity market.



Website: [www.adme.com.uy](http://www.adme.com.uy)

**COMAP** The Commission on the Application of the Investment Law operates within the Ministry of Economy and Finance and its purpose is to promote and protect investments made by domestic and foreign investors in the country.

Website: <http://comap.mef.gub.uy>

 **AUGPEE** The Uruguayan Association of Private Power Generators is the non-profit civil association that brings together most of the private power generators located in Uruguay with contracts in force with UTE or connection agreements with the National Interconnected System (SIN). It is made up of 28 companies with more than 1,000 MW of total generating capacity.

Website: [www.augpee.org.uy](http://www.augpee.org.uy)



The Uruguayan Association of Renewable Energies is a civil association dedicated to promoting, supporting, and bringing together companies or individuals around issues and projects oriented to the use of renewable energies as a source of natural resources. It currently has close to 100 active members, including developers, suppliers, advisors, and logistics operators.

Website: <https://www.auder.org.uy>



Association that brings together solar energy companies operating in the country, importers, manufacturers, and installation designers.

Website: [www.camarasolardeluruguay.com.uy](http://www.camarasolardeluruguay.com.uy)

### Other Institutions and Programs

Wind energy program in Uruguay	<a href="http://www.energiaeolica.gub.uy">www.energiaeolica.gub.uy</a>
Solar energy program in Uruguay	<a href="http://www.energiasolar.gub.uy">www.energiasolar.gub.uy</a>
Probio Project	<a href="http://www.dne.probio.gub.uy">www.dne.probio.gub.uy</a>
Biovalor Project	<a href="http://www.biovalor.gub.uy">www.biovalor.gub.uy</a>

Energy Efficiency Plan	www.eficienciaenergetica.gub.uy
Ministry of Environment	www.gub.uy/ministerio-ambiente
Private Sector Support Unit (UNASEP)	www.mef.gub.uy/unasep
National Climate Change Response System	www.cambioclimatico.gub.uy
National Agency for Research and Innovation (ANII)	www.anii.gub.uy
Technological Laboratory of Uruguay (LATU)	www.latu.org.uy
Solar Laboratory (LES) – University of the Republic of Uruguay	www.les.edu.uy
Utec Uruguay – Renewable Energies Engineering	www.urtec.edu.uy
Pando Technology Hub – R&D – Renewable Energies	www.polotecnologico.fq.edu.uy
Electric Mobility Board	www.moves.gub.uy

## 2.2. REGULATORY FRAMEWORK OF THE ELECTRICITY SYSTEM

The Energy and Water Services Regulatory Unit (URSEA) is the state institution that regulates, supervises, and advises on the generation, transmission, and distribution of electricity<sup>2</sup>.

Law 16,832 of the Electric Regulatory Framework, which was approved in June 1997, establishes the freedom to generate electric energy by any public or private entity. On the other hand, it establishes that transmission and distribution (insofar as they are totally or partially destined to third parties on a regular or permanent basis) are the responsibility of the state-owned company UTE.

### General Investment Promotion Regime

Uruguay has had an active policy for decades to encourage investment in the country. Law No. 16,906 (1998) declares of national interest the promotion and protection of domestic and foreign investments. As a major feature to be highlighted, foreign investors enjoy the same incentives as local investors, there is no discrimination in terms of taxation and there are no restrictions on the transfer of profits abroad. Decrees No. 455/007, No. 002/012, No. 143/018, and No. 268/020 regulate these rules.

This regime provides investors with tax benefits on the income and equity of the companies. The investment projects covered by this regime and promoted by the Executive Power may compute between 30% and 100% of the amount invested as part of their tax payment (IRAE - Corporate Income

<sup>2</sup> See a complete overview of the regulations governing the electricity sector ([link](#)).

Tax). The exempted tax may not exceed 90% of the tax payable<sup>3</sup>. The fixed IRAE rate at the national level is 25%. Wealth tax on movable fixed assets and civil works is also exempted.

### Specific Regimes for Renewable Energies

There is a regulatory framework aimed at developing the renewable sector, increasing private participation in electricity generation, and increasing investments in the sector.

**Decree 268/2020**<sup>4</sup> of Law 16,906 grants tax incentives to investment projects that are declared promoted by the Executive Power. Among the projects that this law seeks to promote are those that comply with goals regarding the **use of clean technologies**. Other goals promoted are related to job creation, decentralization, increased exports, increased research and development and innovation (R&D&I), and sector-specific indicators.

Since 2022, green hydrogen has been included in the matrix of indicators assessing the tax benefits granted by COMAP. Investments in green hydrogen will receive the maximum score in the "Technological Level of the Manufactured Product" indicator, qualifying as "Manufacture of high technology."

**Decree 354 of 2009**<sup>5</sup> grants specific tax incentives for the renewable energy sector based on Article 11 of the Investment Promotion and Protection Law.

**Decree 23/014**<sup>6</sup> establishes that investments made in wind power generation projects destined for the national interconnected system are considered to be included in the concept of intangible assets provided for in Decree 02/012 at the time the assets are transferred to UTE.

The purchase of electric vehicles is exempt from taxes. Vehicles with fuel cell technology, where the engine is solely electric, benefit from existing exemptions regarding the Global Tariff Rate and IMESI upon acquisition.

### Renewable Energy Certification System (the Spanish acronym: SCER)

Uruguay has a Renewable Energy Certification System based on Blockchain. This technology facilitates traceability and ensures transparency for companies registered in the system, generating certificates

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<sup>3</sup> For more information, see the [Investor's Guide](#).

<sup>4</sup> <https://www.impo.com.uy/bases/decretos/268-2020>

<sup>5</sup> <https://www.impo.com.uy/bases/decretos/354-2009/1>

<sup>6</sup> <https://www.impo.com.uy/bases/decretos/23-2014/2>

for the effective use of renewable energy. The application for the Renewable Energy Certificate (the Spanish acronym: CER) is free of charge for companies.

### Solar Thermal Energy Law

The Solar Thermal Energy Promotion Law (**Law 18,585** of 2009) declares research, development, and training in the use of solar thermal energy to be of national interest. Thus, investments in the manufacture, implementation and effective use of solar energy are included as some of the activities eligible for the exemptions provided for in Law 16,906 mentioned above. Additionally, the Executive Power has the authority to exonerate and refund all or part of the Value Added Tax (VAT), Specific Internal Tax (IMESI) and customs taxes on solar collectors manufactured domestically or those imported that are not competitive with the local industry, as well as the domestic and imported goods and services that are not competitive with the local industry, necessary for their manufacture. **Decree 451/011** regulates the benefits granted by the law and authorizes the sale of equipment on the market exempt from local VAT.

Additionally, it seeks to promote the insertion of this technology in various sectors of activity in Uruguay by establishing the mandatory incorporation of this technology in all new construction projects for high consumption sectors such as hotels, health centers and sports clubs.

At the same time, several UTE resolutions are in place, which provide financing and benefits for the purchase of solar collectors in some housing cooperatives, allowing the user to enjoy between 15 and 20 years of net electricity savings. Both these measures may represent a strong incentive for those companies involved in the supply of inputs and equipment associated with solar generation.

### Biofuels

Uruguay has a favorable regulatory framework for the production of biofuels, since biodiesel and fuel alcohol production companies authorized by the Ministry of Industry, Energy and Mining are eligible for an exemption from property tax on fixed assets, as well as 100% exemption from income tax (IRAE, which in Uruguay is 25%) for a period of 10 years.

Law No. 19,924 ([Article 316](#)) extends the provisions of Law No. 18,195 (on Agrofuels), of November 14, 2007—for fuel alcohol and biodiesel products—to **all renewable liquid fuels obtained either from raw materials of agricultural origin or from the processing of industrial, agro-industrial or solid urban waste**. The provisions include the production, domestic marketing, and export of renewable liquid fuels **with domestic or imported raw materials**.

Law No. 19,996, approved in November 2021, in Articles 182 to 184, makes the following amendments to Law No. 18,195 on agrofuels:

- » It repeals Article 7 which mandated Ancap to incorporate biodiesel (B100) produced in the country with domestic raw materials in a minimum mandatory proportion of 5% over the total blend volume of that product and domestically sold diesel for automotive use.
- » It mandates Ancap to incorporate fuel alcohol produced in the country with domestic raw materials in a minimum mandatory proportion of 8.5% over the total blend volume of that product and domestically sold gasoline for automotive use.

As a result of these amendments, the obligation to blend biodiesel is eliminated and, in the case of fuel alcohol, the minimum mandatory blend is raised from 5% to 8.5%. The amendments apply as from January 1, 2022.

Regulations: [Law 17,567](#), [Law 18,195](#), [Law 19,289](#), [Law 19,924](#), [Decree 523/008](#) and [Law 19,996](#).

### Promotion of Microgeneration

Although microgeneration first appeared in places where the traditional electrical grid supply was not accessible, microgeneration solutions then began to be implemented as a complement to this source.

**Decree 173/010**<sup>7</sup> authorizes subscribers connected to the low voltage distribution network to install wind, solar, biomass or mini-hydro renewable generation, subject to certain requirements regarding installed capacity.

The Decree entrusted the Ministry of Industry, Energy and Mining (MIEM) with the approval of the general conditions to govern the bidirectional exchanges between the microgenerator and the distributor. At first, the conditions established by the MIEM determined that UTE would buy all the energy delivered to the grid at the same price stipulated in the rate schedule. The **Ministerial Resolution of May 12, 2017**<sup>8</sup> established a requirement regarding the energy balance between the energy generated by the generating plant and the consumption of the microgenerator user in order to avoid the installation of ventures whose main purpose is not self-consumption. The resolution applies to microgeneration projects submitted after the date of this resolution.

<sup>7</sup> <https://www.impo.com.uy/bases/decretos/173-2010>

<sup>8</sup> [Resolution of May 12, 2017, MIEM](#)

### Self-consumption of Electricity

Electricity generation for self-consumption without the possibility of injecting surpluses into the electric grid—plants isolated from the grid or which, being connected, do not inject energy into the grid—is regulated by **Decreets 43/015** and **114/014**. Said decrees establish that installed power of less than 150 kW will not require authorization from the MIEM, although prior registration will be required, while those generating above that threshold will have to obtain specific authorization from the National Energy Directorate of the MIEM. In turn, if public water resources are used, authorization for the use of water will also be required.

All generation plants must install a meter to record the energy produced, to be submitted monthly to the National Energy Directorate (DNE) for the purposes of calculating the energy balance. If public water resources are used, a water use concession will also be required.

### Energy Efficiency

The National Energy Efficiency Plan is regulated by Law 18,597, which was approved in 2009. This law establishes the implementation and further development of various lines of work for the promotion of energy efficiency, as well as the appropriate financial mechanisms for the promotion of the efficient use of energy in the country<sup>9</sup>.

For more information on sector regulations, please click on the following link: [DNE-Regulations](#)

### Benefits for Electricity-Intensive Companies

As a way of taking advantage of the energy matrix for the consolidation of industrial development, UTE favors the rate for electro-intensive companies. The last call for obtaining said benefit was made through Decree 118/017, which established an application period between May and June 2017. In order to access the benefits offered, the companies had to have an annual electricity expenditure with UTE greater than or equal to 2.5% of the annual Gross Production Value (GPV) and have least one year in operation. The benefit provided to companies is associated with the maintenance or increase of physical production and consists of a monthly discount on the energy consumed, without VAT.

In the first edition (2015-2016), the measure resulted in higher industrial production, which was reflected in an increase in Gross Production Value of USD 11 million by the 24 companies that applied, which also

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<sup>9</sup> <http://www.eficienciaenergetica.gub.uy/marco-legal>



translated into an increase in jobs, turnover, taxes collected and spillover to the national economy. In the 2017 edition, 92 electro-intensive industries applied.

### **Rate Discounts for the Productive Sector**

Generation costs have already been reduced due to the change in the country's energy matrix and measures are starting to be taken to transfer this reduction to the productive sector.

In May 2017, UTE announced a commercial benefit program for dairy farmers and companies or productive units in the dairy chain. The benefit consists of a monthly discount on the energy rate without VAT and is implemented in four levels depending on the characteristics of the beneficiaries. The rate discounts were applied between June and December 2017.

Another measure implemented was the pilot plan for the "Opportunity Buy" program, which involved the introduction of multi-hour rates for companies. The mechanism consists in UTE establishing differentiated rates at certain times with discounts of up to 40%, depending on the energy surplus available to the state-owned company. The special rate is applied for consumption above the average consumption, according to the specific time of day selected.