

July 6, 2021

On June 17, 2021, the energy transition law project was approved by the Colombian Congress. The project is currently on evaluation for presidential execution and issuance of the law. The main features of the energy transition would be the following:

1. The purpose of the law is to modernize the current legislation, **dynamize** the market and **reactivate** the economy.
2. The **Green Hydrogen** and **Blue Hydrogen** are recognized as non-conventional sources of renewable energy, and tax benefits of Law 1715 will be extended to these technologies.
3. The regulation of the **Non-Conventional Energy and Efficient Energy Management Fund** (*Fondo de Energías No Convencionales y de Gestión Eficiente de la Energía - FENOGE*) would be expanded, including the resources that FENOGE would have, some of its uses and faculties. It would be regulated by the Ministry of Mines and Energy.
4. The tax incentives granted to projects of non-conventional sources of renewable energy would be extended, as follows:
 - The income **tax deduction** period, for 50% of the total investment made, would increase from 5 to **15 years**.
 - The **VAT exclusion** and tariff exemption would include the goods and services that are currently subject to the benefits but additionally would apply to smart metering equipment, which is in the **Program for Rational and Efficient Use of Energy and Non-Conventional Sources** (Programa de Uso Racional y Eficiente de Energía y Fuentes No Convencionales -PROURE).
 - Concerning the **accelerated depreciation** benefit, the annual depreciation rate would be increased from a maximum of 20% as a global annual rate, to a maximum of 33.3%.
5. Regarding the geothermal resource:
 - The **geothermal registry** would be created: The Ministry of Mines and Energy or the entity designated by it would create a geothermal registry for the registration of all the projects destined to explore and exploit geothermal energy to generate electricity.
 - The Ministry of Mines and Energy may impose **sanctions** such as (i) warnings; (ii) order to suspend activities; (iii) fines or cancellation of the exploration and exploitation registration, to those who carry out activities related to the development of projects for the generation of electric energy from geothermal resource and incur in the following conducts:
 - The development of exploration and/or exploitation activities of the geothermal resource without the registration of the project by the Ministry of Mines and Energy.
 - The failure to comply with the information and data requirements as set by the Ministry of Mines and Energy or

the entity delegated by it.

- The development of exploration and/or exploitation activities of the geothermal resource exceeding the object or geographic extension of the geothermal area.
- The provocation of damage caused to the geothermal reservoir object of registration.
- The failure to comply with the technical standards established for this type of projects.
- The failure to develop activities once the geothermal registration has been obtained under the conditions and within the terms established by the Ministry of Mines and Energy

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