

## Energy Industry Group Newsletter



### New provisions related to verification of compliance with the national content obligations in the hydrocarbons industry

On January 23, 2020, new regulations related to the compliance verification for the national content (NC) obligations of assignees, contractors and permit holders in the hydrocarbons industry were published in the Federal Official Gazette and have been in force since January 24th.

1. "Agreement establishing the provisions for the verification of compliance with the national content obligations for assignees and contractors, regarding their exploration and extraction activities, carried out in national territory".
  - a. The verification for assignees and contractors (not permit holders) will be carried out through the following procedures:
    - » Documentary verification: review based on information and document requirements to the assignee or contractor, its direct or indirect suppliers of goods and services and other authorities.
    - » Measurement verification of reported NC: review of the concepts and amounts included in the NC calculation.
    - » Verification visit: review of goods, facilities, people and documents of the assignee or contractor, and its direct or indirect suppliers of goods and services.

- b. The NC information lacking "authoritative documentary support" will be considered equal to zero and shall be discounted from the reported NC by the assignee or contractor.
    - c. The information and documents related to NC must be kept for 5 years, during which the authority is entitled to verify it.
    - d. The authority must issue a resolution to a verification within a period of 18 months.
  2. "Agreement amending the Agreement establishing the provisions applicable to assignees, contractors and permit holders providing information related to national content in hydrocarbons industry activities", which amends provisions regarding NC report obligations:
    - a. Assignees, contractors and permit holders must keep the information and documents related to NC for at least 5 years.
    - b. Assignees and contractors must provide the NC information within the 90 days after the project has ended.
    - c. Permit holders will only have to provide NC information per the authority's specific request, within a period of 5 years.

- d. The authority is entitled to request information of assignees and contractors related to NC at any given moment while the project is in progress.

**Sanchez Devanny, as a registered supplier of the hydrocarbons industry with the Ministry of Economy, can provide you advice in relation to your NC reporting obligations, provide you services that may be officially included in your NC calculation and, if required, advise you on NC verification procedures.**

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