



Bundesministerium
für Wirtschaft
und Energie



MITTELSTAND
GLOBAL
EXPORTINITIATIVE ENERGIE

Doing business in Puerto Rico

German Energy Solutions Initiative

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Under Secretary

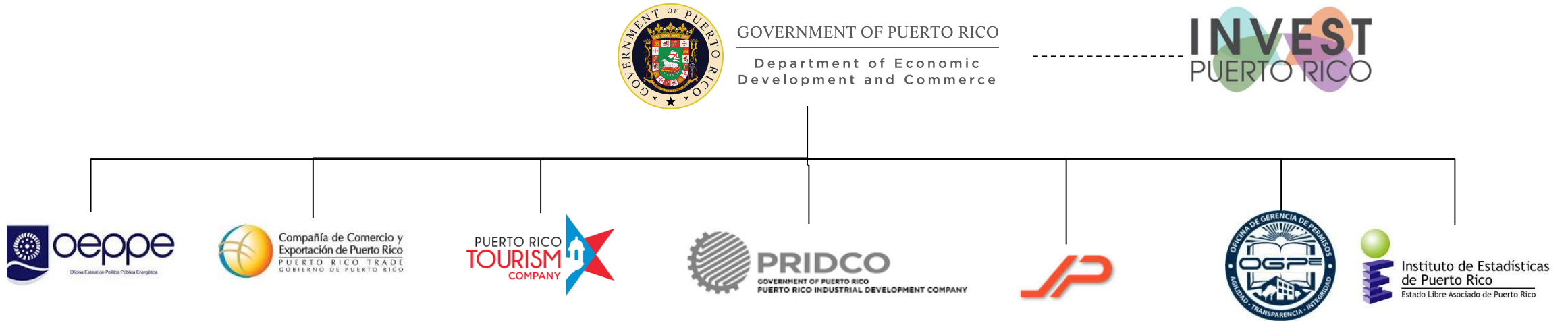
Victor M. Merced Amalbert

Chief Business Development

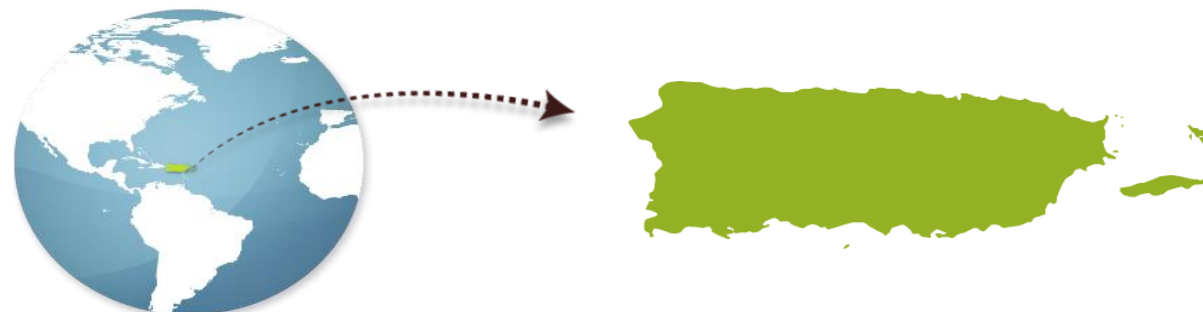
Department of Economic Development and Commerce



Organization



DID YOU KNOW?



1

PUERTO RICO IS A U.S. JURISDICTION IN THE CARIBBEAN

- U.S. dollar
- U.S. citizenship

2

NO U.S. FEDERAL TAXES

- Puerto Rico residents and foreign control corporations don't pay U.S. federal taxes.

3

MADE IN U.S.A.

- All services and goods produced in Puerto Rico are "Made in U.S.A."

DID YOU KNOW?

4

POPULATION

- 3.2 million (est. as of Dec 2018)

5

Languages

- Spanish & English

6

Climate data

- Average high 87°F
- Average low 75°F

7

Legal Framework

- Puerto Rico residents and businesses are subject to the legal protection of both the U.S. and the Puerto Rico Constitutions.



German Companies Established in Puerto Rico



Our Workforce: Key Competitive Advantage

- Educated, bilingual, with vast knowledge in U.S. and global regulations.
- Top Public and Private university system. The University of Puerto Rico – Mayagüez Campus is a top engineering school in the U.S. Women making up more than 55% of all students.
- Highly competitive wage rate. 30% to 50% lower labor cost than the mainland U.S.

Average
Wage Rate



\$28,740



\$49,630

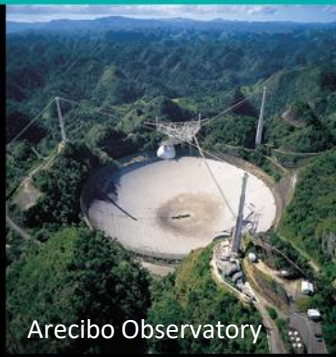
Talking about the Puerto Rico Economy...

Puerto Rico GDP is \$101B.
What is the share of Tourism of
Puerto Rico's economy?

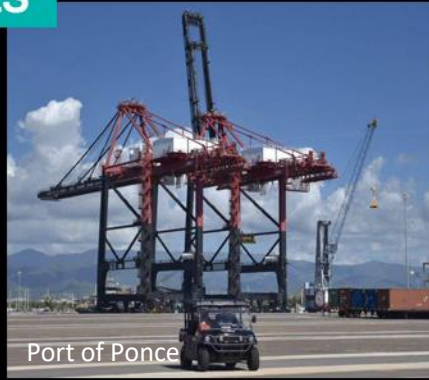
WORLD - CLASS INFRASTRUCTURE AND VENUES



Cruise Port, Old San Juan



Arecibo Observatory



Port of Ponce



Puerto Rico Coliseum



Bahia Urbana, San Juan



Puerto Rico Convention Center



Luis Muñoz Marín, International Airport



Fortaleza



Luis Muñoz Marín, International Airport



Comprehensive Cancer Center



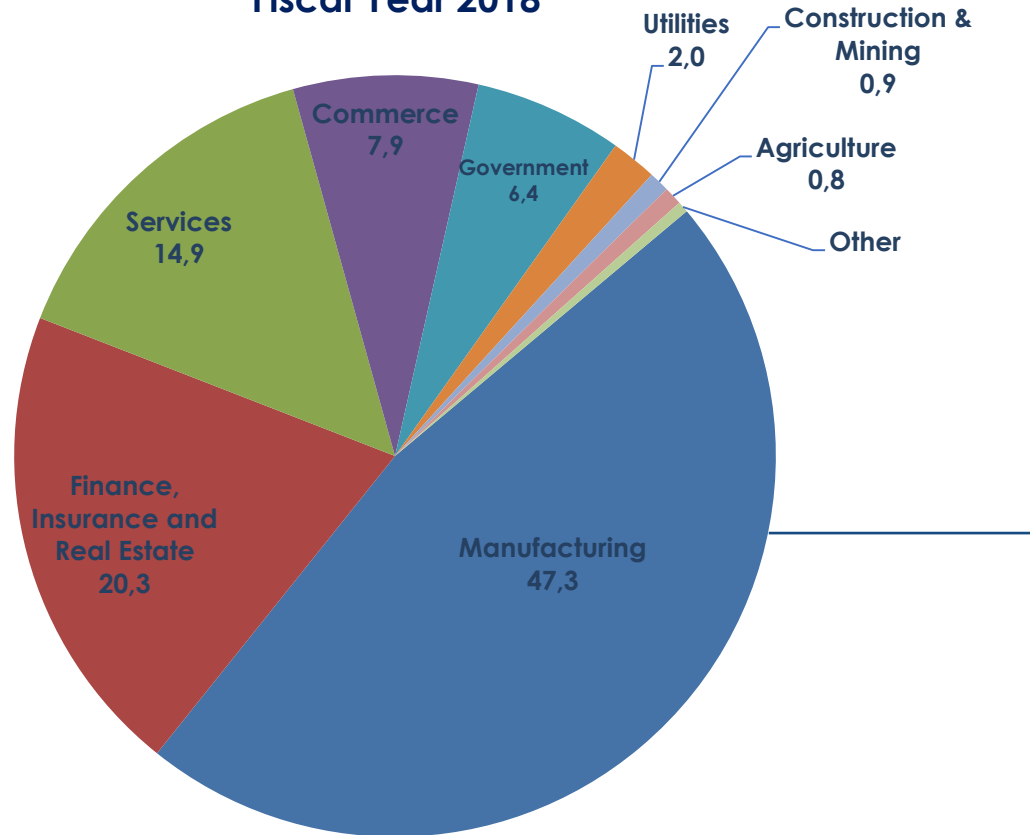
Roosevelt Roads, Ceiba



Urban Train

Our Economy

**Gross Domestic Product Share by
Main Economic Sector
Fiscal Year 2018**



GPN \$68.0 billion

GDP \$101.1 billion

GDP Per Capita \$31,022

Exports Value \$60.6 billion

Imports Value \$46.5 billion

TOURISM: 2.0% of GDP and estimated to 7.4%* in 2018 as a total contribution to the Economy GDP

(including wider effects from investment, the supply chain and induced income impacts).

*calculated by the World Travel & Tourism Council (WTC)

Contribution to Total MFG GDP FY 2018

36.3% Pharmaceutical Industry (includes Bio-Pharma)

22.0% Computer and Electronics

26.9% Basic Chemicals

5.4% Medical Devices

2.5% Beverages & Tobacco

2.5% Food

1.5% Electrical Equipment & Components

3.0% Others

Source: PR Planning Board

PUERTO RICO INCENTIVES CODE



Individuals



Export



Finance and
Insurance Services



Visitors Economy



Manufacturing



Infrastructure &
Green Energy



Agriculture



Creative Industries



Entrepreneurship



Other Incentives

TOP COUNTRIES WITH COMPANIES IN PUERTO RICO



Who's Doing Business in Puerto Rico



- 1 Puerto Rico is **ranked #32 out of 144** in the World Economic Forum's Global Competitiveness Report for 2015
- 2 **12** out of the top **20** pharmaceutical and biotech companies have manufacturing sites in PR
- 3 **12** out of the top **20** medical devices companies have manufacturing sites in PR
- 4 A large number of the crops of the future (corn, soybean, cotton, rice, etc.) are being developed in Puerto Rico by companies such as **Monsanto, Syngenta and Pioneer.**

- 5 Most of **Microsoft** software updates downloaded in the Americas is validated and distributed from Puerto Rico
- 6 **Honeywell** operates business support operations such as engineering design, supply chain, finance, and IT among other, for the Company's defense programs
- 7 **Amgen** has its largest manufacturing facility located in Juncos, PR. More than **90% of its products** are either formulated, finished or packaged at this site.

Act 60 of 2019 Code of Incentives General Benefits

4%	0%	75%	100%	50%
Income Tax Rate	Distribution of Dividends Rate	Property Tax Exemption	Exemption over Construction Taxes	*Municipal Volume of Business Tax Exemption

- 15 year term Tax Exemption decrees subject to renegotiation for 15 additional years.
- Creation of a digital portal to grant the incentives.
- Incorporation of **Difficult Recruitment Professional Resident** incentive.

Act 60 of 2019 Code of Incentives

Eligibility

- Manufacturing
 - Includes, Aircraft MRO
- Visitor's Economy (Tourism)
 - Hotels & Others
 - E-sports and Fantasy Leagues
 - Cruise Ships
- Creative Industries
 - Film Industry
 - Post Production
 - Strategic Supply
- Individuals
 - Resident Investors
 - Medical Practitioners
 - Scientists
- Entrepreneurship
 - Small and Medium Enterprises
 - Youth Entrepreneurship
- Exports of Goods and Services
- Infrastructure and Green Energy
- Insurance, Investments, Finance
- Agro
- Opportunity Zones
- Others

Act 60 of 2019 Code of Incentives

Process

- The entity applies for the benefit via the Single Business Portal (Under Construction).
- Once approved a tax decree(contract) will be submitted for signature by the applicant.
- If denied the entity can submit for reconsideration.
- At the sunset of the tax decree the entity can request an additional term if complies with the following:
 - Significant investment in the PR operation
 - Significant job increase from initial job commitment.

Act 60 of 2019 Code of Incentives

Green Energy

- Alternative Renewable Energy:
 - Landfill gas combustion
 - Anaerobic Digestion
 - Fuel Cells
 - Waste Heat
- Sustainable Renewable Energy:
 - Solar
 - Eolic
 - Geothermal
 - Biomass
- Biofuels
- Qualified Hydroelectric
- Hydrokinetic Marine Renewable
- Ocean Thermal Energy
- Highly Efficient Energy
 - Means the production of electricity in a minimum of 60% via highly efficient methods (Includes CHP, LNG, GNG, LPG) in conformity with Act 57 of 2014.

Act 60 of 2019 Code of Incentives

Green Energy

- Eligibility requirements for tax exemption decree
 - Commercial scale, production and sale of Green Energy
 - Equipment assembly of Green Energy Equipment
 - Real Estate dedicated for the production of Green Energy
 - Activities related to highly efficient energy (CHP and LPG, LNG, CNG)
 - Qualified contractors under Act 120-2018 “PR Electrical System Transformation Act”

Act 60 of 2019 Code of Incentives

Green Energy Benefits

- 4% Preferential Income Tax rate
- 4% Tax rate on profits made in the sale or exchange of shares or assets
- 100% Tax Exemption on the total liquidation of an Exempt Business
- 75% Tax exemption on Real and Personal Property to Renewable Energy Certificates
- 50% Tax exemption on Municipal and Volume of Business Taxes Exempt Green Energy Businesses
- 75% Exemption on Municipal Construction Taxes to be used by the Exempt Business
 - Applies to Exempt Businesses, contractors and subcontractors
- 100% Tax exemption of the Sales and Use Tax Special
- Special Deduction for Investment in Buildings, Structures, Machinery and Equipment for Green Energy
 - It can be deducted in the taxable year that the total investment expenses were incurred
- 10 year exemption period

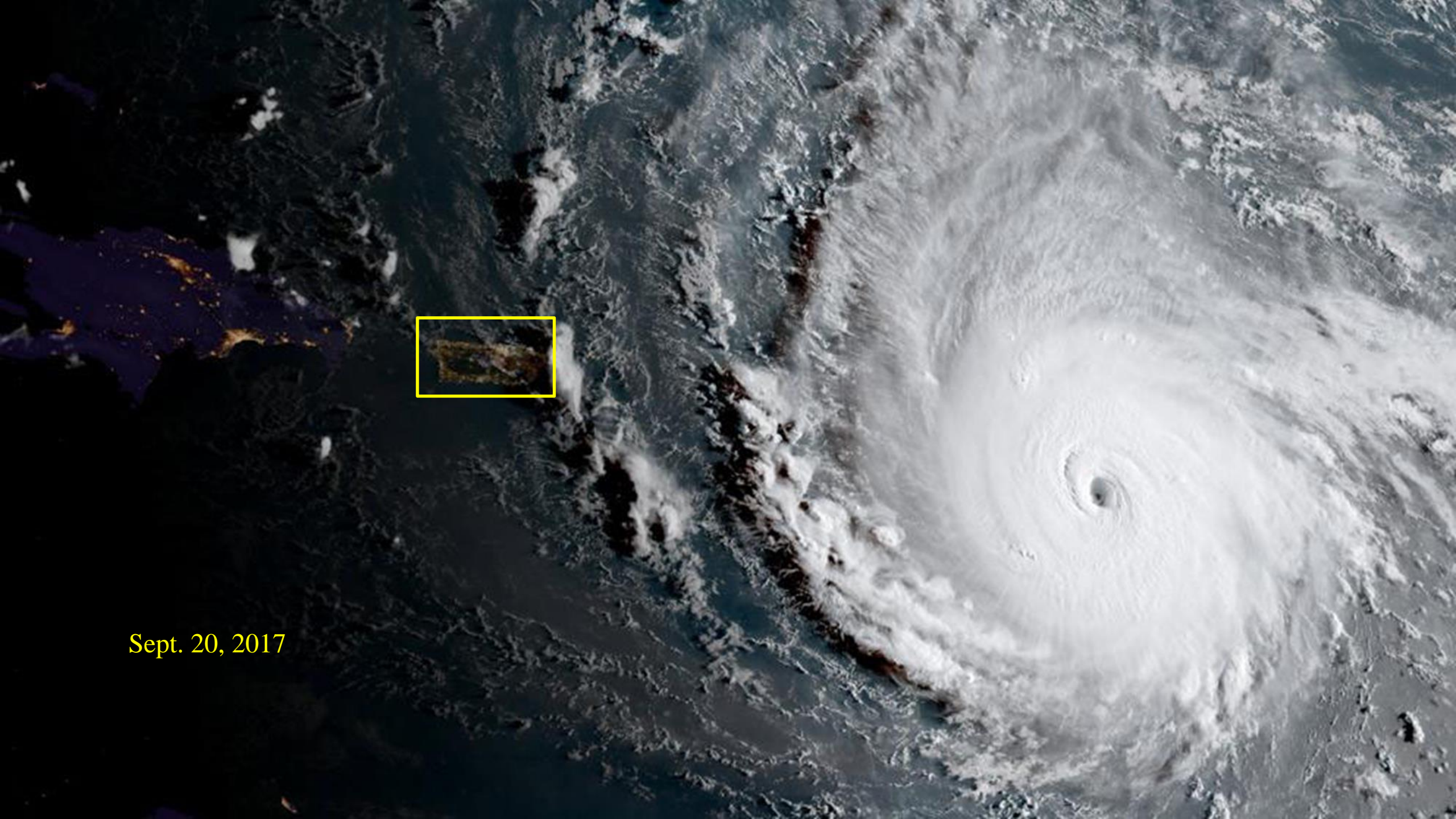
Cash Grants

- WORKFORCE INNOVATION & OPPORTUNITY ACT (WIOA)
 - Federal Funding
 - 50% Matching Funds for OJT up to \$13.23 /hour payrate
 - 50% of the training costs for specialized training.

- DISPLACED WORKERS RE-TRAINING PROGRAM

- JUVEMPLEO (New workforce incentive)
 - Program will allocate funding to give young graduates of trade schools their first work experience. The program funds the first 520 hours of payroll of the youth under the program.

- DEDC CASH GRANT PROGRAM
 - Job creation
 - Infrastructure
 - Machinery & Equipment

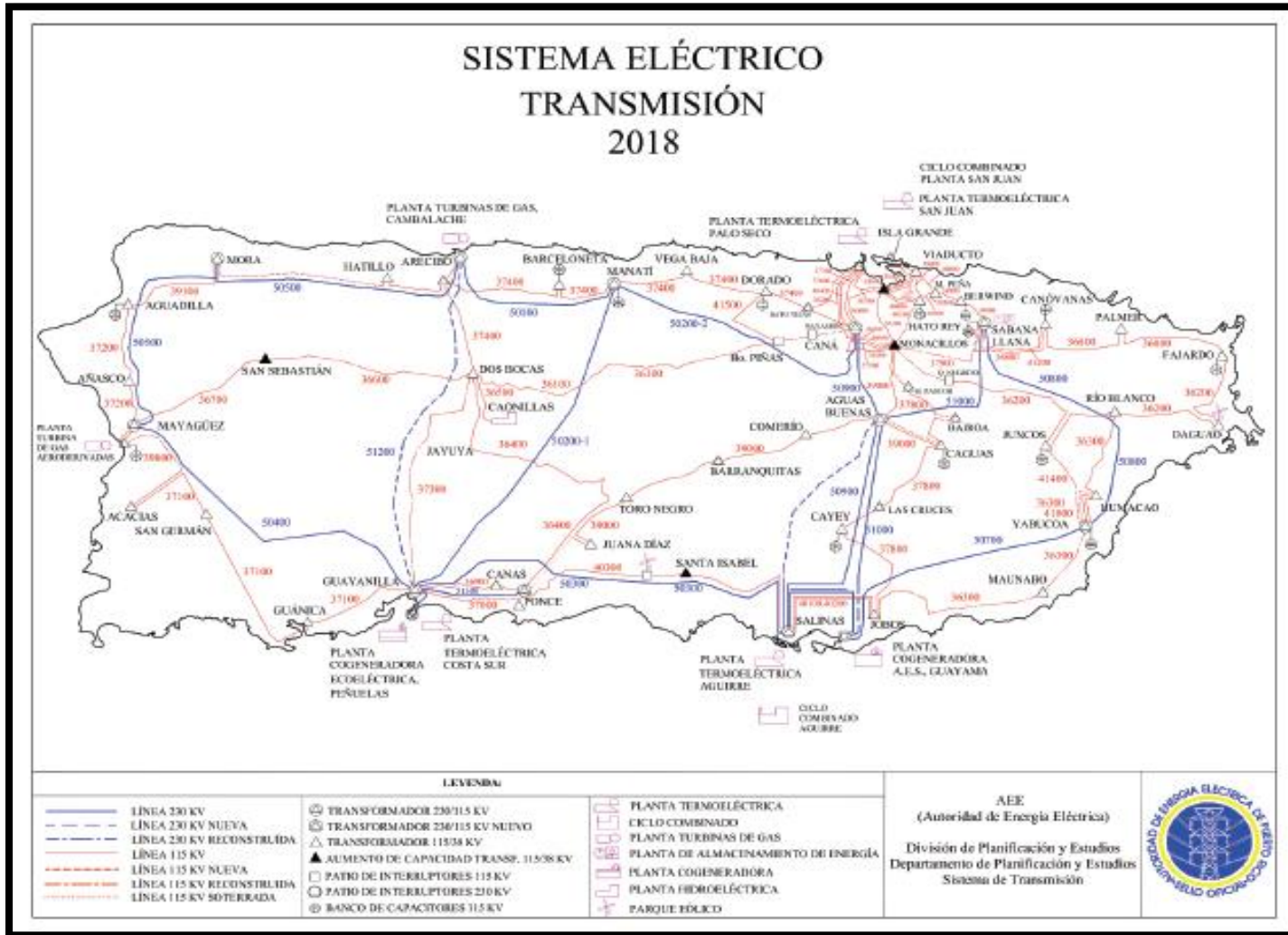


Sept. 20, 2017

Puerto Rico's Energy Situation

- The Electric Power Authority (PREPA or Authority) maintains approximately 1.5 million consumers representing about **\$3.45 billion** in total revenue.
- The generation system is approximately **thirty (30) years older** than the average in the electric power industry in the United States mainland.
- The electrical system includes **2,748 miles** of transmission lines, **31,485 miles** of distribution lines and **334 substations**.
- The transmission lines include **230 kV**, **115 kV** and **38 kV** circuits, which transmit the power from the generation plants to the distribution substations to be sent to consumers via lower voltage distribution lines.
- The Authority generates two thirds of the Island's electricity and purchases the rest.

Puerto Rico's Energy Situation



➤ Current Business Model

- Authority generation capacity **5,839 MW**
- Power demand as of August 2017 **3,060 MW.**
- The main generation units are in the **south** of the island, while the highest energy demand is in the north.

➤ New business model:

- Consumer Oriented
- 26 Energy Districts with independent, interconnected, mini-grids.

Puerto Rico Energy Public Policy Act 17-April 11, 2019

- Today: 2% power generation based on renewable sources.
- New energy policy targets: **40% renewable energy by 2025, 100% by 2050.**
- Nat Gas (and Propane Gas) as transition fuels. Phase out from coal **by 2028.**
- New regulatory framework to transform our energy system to a resilient, reliable, cost-effective and robust one.
- Open Market for energy sale, through the utility system or to the utility authority.

Puerto Rico Energy Public Policy Act 17-April 11, 2019 (Cont.)

The Act establishes key guiding principles for the electric grid based on efficiency, quality, continuity, adaptability, impartiality, solidarity and equity. It also formulates the energy public policy on various aspects including:

- **Aspirational goal of rates not surpassing 20¢ per kilowatt-hour.**
- Ensuring availability of energy supply.
- Penal consequences for non-compliance with contracted services.
- Allows creation of solar communities, energy wheeling, community microgrids, and electric cooperatives, among others.
- Net metering buy and sell at the same kw/rate
- Conversion of public lighting to LED.
- Build a new robust and resilient electric system that will survive severe weather events.

What is the Tax Rate for energy businesses in Puerto Rico?



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MITTELSTAND
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Questions?

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