

# “Spanish government is destroying ten years of wind energy development”

<http://www.ewea.org/blog/2013/02/spanish-government-is-destroying-ten-years-of-wind-energy-development/>

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For the last 100 days, wind energy has provided more of Spain's power than any other source. Yet the government is cutting support for the sector and putting a major electricity provider – and domestic industry – at risk.

Heikki Willstedt Mesa, Energy Policies Director for the Spanish Wind Energy Association (AEE) explains why the government's latest decisions are so dangerous.

Until last week, what was the situation for renewables in Spain?

According to Spanish law, companies must get a reasonable return on their investments in renewable energy, with the average being between 7 and 8%. Last year, the new government decided there would be no more incentives for new renewable energy installations after 2012.

That was a big blow for the future industry. But then afterwards, at the end of 2012, the government also approved a 7% tax on all existing power generation installations. It was supposed to be a law for the environment, but they were also taxing wind and other renewables. That meant not only future industry was impacted, but also already existing wind farms.

So what happened last week, and how has it made matters even worse?

Previously renewable energy projects could choose between two options according to the support mechanism: a fixed tariff or the market price plus a premium. The vast majority – 80% – of wind farms had opted for the market price plus premium.

But last week, out of the blue, a new royal decree was passed cancelling this market price plus premium option, so all the wind farms that already had it were automatically put instead into the fixed tariff as from 1 January 2013.

What's more, the decree also affected the fixed tariff, which had previously been adjusted every year in line with Spain's inflation minus a small percentage; what we call a “degression factor”. Now the inflation factor will no longer be calculated in accordance with the official data but according to a new set of parameters that give a much lower value. Actually, for 2013 it will have a negative value (-0.03%) while officially inflation was 3,5%

What all this means in practice is that an average wind installation is going to receive about €6 per Megawatt hour less than expected when the investment decisions were made.

What impact will these measures have on the wind energy sector in Spain?

The sector will see its income reduced by around €600 million this year, representing around 15% of its turnover.

Furthermore, in 2013 the total amount of premiums the sector would receive by respecting the current law would be around €1,950 million, according to our calculations, an amount very similar to that received in 2012. These figures are lower than the savings in imported fuels for



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the country, which for 2012 are over €2.200 million, not to mention the over 20 million tonnes of CO<sub>2</sub> avoided.

These latest retroactive measures are the final straw and they may entail the permanent dismantling of the wind industry in Spain, an industry which creates value throughout the supply chain and is a worldwide reference. Owing to the regulatory uncertainty, 40% of the jobs created by the sector in Spain have already been destroyed, a trend which is set to continue if the government fails to sort things out.

What is your message to the government?

That these measures are illegal and go against the guidance that the European Commission is developing on changes in support mechanisms. They breach both the Spanish Law for the Electrical Sector as well as the decree that regulates the incentives for wind power, Royal Decree 661/2007. The sector is going to take the government to court if it doesn't change the measures recently approved..

We would also say that by doing this, Spain is going backwards. It was a pioneer in establishing a system of premiums for renewables and this government has cancelled that system, and has done so at a time where other Member States with increasing wind energy penetration levels are moving towards premiums which allow wind power producers to take fully part in the market. It's like going back in time to when wind energy represented just 1% of the system. It has wasted ten years of efforts by the sector together with the grid operator to make wind power a mainstream technology. The government is destroying value each time it's approving a royal decree that affects investments already made.

We would also say to the European Commission that it should take a close look at these kinds of measures because they are affecting the common goals of Europe. The bad Spanish example can easily be seen as something to be replicated by other countries, which would also start going back on their promises to investors.