

AEE claims that the impact of the Energy Reform on the Spanish wind energy sector is out of proportion

- The Association has made public comments to the Electricity Bill, seven royal decrees and the tariff order before the National Energy Commission
- AEE considers that the bill and the proposed royal decree on renewables should be retired, as they go against Spanish and EU regulation
- It will take every possible measure to turn around a situation that threatens the sector's survival

Madrid, 1st August, 2013. The Spanish Wind Energy Association (AEE, under its initials in Spanish) has made public comments before the National Energy Commission (CNE, under its initials in Spanish) on the Electricity Bill, the tariff order and seven proposals of royal decrees passed by the Government because they all affect the wind energy sector. The addition of all this new regulation plus the Royal Decree Law 9/2013 –that has already been passed by Parliament– could mean that wind energy is the most affected technology by the Spanish Government's so called Energy Reform if the parameters are not established in the correct way. AEE considers that if the regulation is passed in the current terms, the impact would be out of proportion and the sector could suffer a cascade of financial problems, manufacturing plants closures and job destruction.

AEE considers that the Reform is retroactive, discriminatory and arbitrary. It introduces new uncertainty elements and legal insecurity and it is extremely unfair with the wind energy sector. Royal Decree Law 9/2013 and the proposal of royal decree on renewables introduce a radical change of the sector's rules, as AEE has made clear on its public comments before CNE:

- The reform fully abolishes the remuneration system under which investments were made and pretends to compensate it with an "investment complement" based on an arbitrary standard linked to the Spanish 10-year-bond plus a 300bp spread, ignoring the current regulatory and investment standard used in the Western world, which is based on the Weighted Average Cost of Capital (WACC).
- This complement is not applied to new wind farms, but to the whole life of the existing installations, thus its retroactivity. It is also discriminatory, as it does not apply to any other regulated cost within the system.
- Fair return criteria established on the Royal Decree 661/2007 are not respected, while a good deal of CNE's reports on the need to base fair return on the WACC standard are ignored, as well as the references on the different renewable energy plans launched in Spain since 2000.

- There is the possibility that some wind farms, including some of the more efficient ones, will not receive any more incentives during its life cycle if they have already reached the fair return standard, contrary to what companies expected when they risked their investments under a different regulation in a moment in which the sector was far from its current maturity.
- Wind energy's efficiency and competitiveness are penalized, due to the fact that the model punishes companies for taking the risk of investing in the maturest renewable technology and because it is the most sensitive to changes in the spot market.
- The regulation does not include the parameters under which remuneration will be established (they will be defined later on, under a ministerial order), which means that no one will know until at least the end of 2013 the incentive an existing wind farm will receive neither this year nor further on.
- The Especial Regime and every other mention to incentives on renewable Energy imposed by the European Directive disappear.

Moreover, the sector is affected by other regulatory measures which AEE considers that reduce incentives to clean and indigenous energies such as wind, so it has also made public comments on them:

- The Electricity Bill implies, among other matters, that the wind energy sector would be responsible –with other regulated costs– of payments of future deviations of the so called tariff deficit.
- The proposal of royal decree on island systems establishes that new wind farms can be installed on the Canary Islands under a tender system. The most probable outcome will be that no new investments are made, due to the enormous legal uncertainty that this Reform brings.
- The proposal of royal decree on interrumpibility establishes that wind energy would pay part of the cost of this service (that has not been used for many years).
- The proposal of royal decree on market mechanisms and hibernation establishes that wind energy would pay part of the cost of capacity payments.
- The proposal of royal decree on self consumption does not assure that the tariff will be enough to cover the costs.

If all these norms are passed in their current state, their accumulated impact on the wind Energy sector could be superior to its fair share of the cost savings that the Government is looking for. This should be added to the impacts already suffered by the sector this year due to the generation tax and the Royal Decree Law 2/2013, in force until the new regulation is firm. And to the hundreds of millions of market capitalization already lost by the sector's listed companies. So the impact is extremely unfair with a sector that cannot be blamed for the tariff deficit and that has always developed complying with the regulator's goals.

This regulation brings a radical alteration on the Spanish wind farms' revenue flows, which will mean a cascade of financial problems for the sector and, eventually, for the Spanish banking system. Moreover, more manufacturing plants will close –nine have already closed this year– and more jobs will be destroyed –3,600 so far in 2013, 25 per day–. Companies start to think seriously if their best option is Spain or other countries

where the creation of wealth and employment that comes with wind energy, or the enviable and world famous Spanish wind industry, is better appreciated.

With the goal to find solutions for this difficult situation in mind, AEE reaches out to the Industry Ministry once again in order to work together in a solution that does not lead the Spanish wind energy sector to bankruptcy. AEE believes that both the Electricity Bill and the proposed royal decree on renewables should be retired, so that legal security and the Spanish and European legal principles are respected. In this collaboration effort, AEE offers the Government its deep know how on the sector's data and reality.

Apart from the mentioned public comments, AEE will study any additional legal measures that could reduce the unbalance and uncertainty caused by the new regulation.

AEE considers that leading the wind Energy companies to a future of financial problems and total uncertainty is negative both for Spain and its Energy future, as well as being an obstacle to the internationalization of an industry in which, so far, Spain has been a world leader. For these reasons, AEE will fight to make the Government understand the situation and correct the unbalances of this Reform and its impact on the companies and workers that have created a leading wind energy sector in Spain.

Para más información:

Departamento de Comunicación AEE

Tfno. 91 745 12 76

comunicacion@aeolica.org

www.aeolica.org