

**The Ministry of Industry leads the wind sector to paralysis
with a regulation proposal which would entail
the destruction of thousands of jobs**

- The draft Royal Decree, sent to the CNE without having reached an agreement with the sector, would represent a 40% cut in the current remuneration for installations subsequent to 2013
- Both the new model and the proposed economic conditions will prevent new farms from being set up and the achievement of the objectives set for 2020
- The sector is asking the Government to rethink its stance to avoid a de facto moratorium in the forthcoming years.

Madrid: September 22nd 2011. The Ministry of Industry, Tourism and Trade (MITYC) has sent the National Energy Commission (CNE) the draft Royal Decree whereby the remuneration of wind activity is established without having first reached an agreement with the sector, contrary to that announced. This regulatory proposal is very distant from that debated during the negotiations between the sector and the MITYC and it is unacceptable both in terms of the model as well as in terms of the economic conditions. The sector believes that, if it goes ahead, it will have serious consequences such as the loss of thousands of jobs, the delocalisation of factories, the destruction of industrial fabric, the loss of the trust of national and foreign investors and the uneasiness of the Autonomous Communities, inter alia. To this end, it is asking the Government to rethink its stance.

The draft Royal Decree establishes installation of 1,400 MW of wind power per year to meet the objective of 35.000 MW foreseen in the Renewable Energy Plan (PER) 2011-20. Notwithstanding, the sector believes that, under the proposed economic conditions, these aims cannot be met as by not ensuring a reasonable return on the projects, the installation of wind farms will be unfeasible. In this way, although the sector has been demanding for months the urgency of a new regulatory framework laying down the rules of the game beyond December 31st 2012, it considers that the proposal sent to the CNE would have a similar effect for the sector: an actual moratorium for the forthcoming years.

The most important aspects of the draft Royal Decree are as follows:

- **Change in model.** In view of that discussed for months with the sector and which it has expressed publicly, the MITYC intends to make radical changes to the current model –considered by the European Commission as the economically most efficient in the European Union. It is proposing a variable premium system over time whereby said premiums would automatically fall for all those farms built under the umbrella of the new regulation if the annual quotas are exceeded. Both the sector and the banks consulted by the Spanish Wind Energy Association (AEE) consider that under this model there would be no possible access to financing, as it would introduce similar volatility to the remuneration which would prevent the calculation of the return on a farm throughout its working life.

-**Unacceptable economic conditions.** The parameters proposed by the Government fail to ensure a reasonable return on the projects. The most substantial aspects are as follows: it limits the receipt of the premium to twelve years compared with the current twenty; the installations will only collect the premiums during the first 1,500 operating hours; the premiums will not be revised in line with inflation as occurs currently. Furthermore, although the idea of ground remuneration persists, this will be annually revisable by the Government which would introduce even greater volatility. All these conditions as a whole would entail a reduction of around 40% in the remuneration foreseen in Royal Decree 661/2007 for installations subsequent to 2013.

- **Disincentive to repowering.** Despite insistence from the sector, the Ministry of Industry has decided not to incentivise repowering which entails a replacement of old wind turbines with other more modern ones at those farms located at the best sites. Furthermore, neither does it provide solutions to problems pending such as the farms registered with the Registry of Preassignment which will find it hard to be built before the registration deadline (December 31st 2012) for reasons not imputable to the promoters and frequently the result of changes approved by the Government itself regarding Network Infrastructures.

The sector believes that if this proposal goes ahead on those terms under which it was sent to the CNE for reasons of urgency, one of the worst possible scenarios for the wind sector will arise, an area which provides jobs to over 30,000 people, comprising 0.34% of GDP, exporting technology for over 2 billion Euros and making savings on fossil fuel imports of 1.5 billion Euros per year, inter alia.

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