

The wind sector disagrees with the CNE (National Energy Commission) that the draft royal decree regarding remuneration ensures a reasonable return on projects

It believes it is unacceptable for the National Energy Commission to make this statement when it is aware of the investment costs of the sector and the opinion of the banks

Madrid: October 25th 2011.- The wind sector disagrees with the **National Energy Commission's (CNE)** statement that the draft Royal Decree on remuneration ensures a reasonable return on wind projects. The **CNE** has issued a press release making its opinion known about the draft royal decree indicating that: "once the costs estimated by the CNE for the new installations have been analysed", it considers that "said installations will have a reasonable return with the application of this proposal".

Although the **Spanish Wind Energy Association (AEE)** would have preferred to have access to the CNE report before making its opinion known, in view of the haste for proceeding with the royal decree, it wishes to make its position clear. In view of the fact that the CNE has direct access to and is perfectly aware of the investment costs of the sector which currently stand at 1.3 million Euros per Megawatt — **AEE** believes it is unacceptable for the CNE to make these declarations. It also believes that it is inconsistent to assume a high price scenario to justify that the wind sector will have to have a reasonable return and leaving the whole risk incumbent upon the sector in the event of low prices.

Furthermore, the Commission has heard the opinion of different banks which have stated that if the decree is approved on the current terms, the Internal Rate of Return (IRR) for the projects will not be enough to ensure the financing of new wind farms in Spain. According to **AEE's** calculations, the proposal by the Ministry of Industry would entail an IRR of under 5%, compared with the 8-9% which the banks deem appropriate to finance projects. The economic conditions put forward in the royal decree draft entail an actual cut of 40% on the current remuneration.

Furthermore, the CNE states that “the remuneration must be predictable so as to facilitate third-party financing of the projects” and it proposes that when an installation is registered on the Registry of Preassignment “the bonuses in force are maintained”. **AEE** applauds this statement as it is in line with its rejection of any change in the current model to a variable year by year premium system like that proposed by the Ministry of Industry. The model in force today in Spain is regarded as the most efficient in the EU by the European Commission.

AEE believes that, if things go ahead on these terms, the regulatory framework will entail the paralysation of the sector in Spain, the destruction of over half of wind-related jobs and the disappearance of a major part of its industrial fabric. Furthermore, the royal decree is inconsistent with the Renewable Energies Plan 2011-20 and with the European Directive on the consumption of energy from renewable sources, as it makes it impossible to meet the objectives foreseen. To this end, the wind sector is asking the Government to reconsider its position.

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