

AEE considers that the new European Commission standards for the electricity sector require a revision of the Spanish electricity system reform

- The Spanish Government energy reform contravenes a great number of Brussels recommendations
- The EC demands governments to avoid retroactive changes as the one set out in Spain

Madrid, November 11, 2013. The European Commission (EC) has issued its *Guidelines for Government Intervention in the Electricity Sector*, a document that establishes a good practice code around support systems for renewable energies in the different countries in order to achieve energy goals set for 2020 and ahead of the introduction of the single European electricity market in 2014. The **Spanish Wind Energy Association (Asociación Empresarial Eólica, AEE)** shares the criteria established in the documents published by the Commission, and considers that the Spanish Government's energy reform violates a number of directives from Brussels, and therefore it should be revised.

In particular, the European Commission ratifies its support for the existence of transparent support systems that encourage clean energy generation technologies based on indigenous resources, such as wind. Likewise, it also indicates that the support systems should be stable and respect the legitimate expectations about the profitability of the investments made, thus recommending governments to avoid retroactive changes: "The need for changes in the regulatory conditions in response to market circumstances does not justify applying those changes retrospectively to investments already made in situations in which the need arises from authorities' failure to predict or adapt policies to the circumstances in time", says the document. One of **AEE's** claims about the energy system reform is, in fact, that it pretends to modify the rules of the game for all existing installations, in addition to the resulting legal uncertainty and the financial problems that could be forced upon the sector.

The Commission considers that the most effective support systems are those that encourage the participation of renewable energies in the electricity market, for example, through a feed in premium system such as the one that existed in Spain before the energy reform. For the investment incentives systems (like the one that the

Spanish regulator intends to implement), the Commission recommends that these incentives should be provided at the beginning of the construction of the facility to promote efficiency. In any case, these incentives should only apply to new facilities.

Brussels recommends establishing long-term legal commitments to ensure the stability of the investments. Under the previous Spanish law, Royal Decree 661/2007 and Royal Decree 436/2004, there were already legal commitments, which granted that in no case the remuneration for the operating facilities would change; a principle undermined by the energy reform. This reform also introduces remunerations reviews after three years.

The wind industry fully agrees with the European Commission that the road ahead should be based on eliminating incentives to renewable energy sectors, as they improve cost reduction and efficiency. In fact, the Renewable Energy Plan 2011-2020 clearly pointed out that the Spanish wind sector would not need incentives for new facilities some time during this decade. But the **Spanish Wind Energy Association** also considers that this should be linked to the phasing out support for fossil fuels and a clearer environmental taxation in the fight against climate change. All this strives for a fully competitive energy market in which the external effects produced by carbon emissions are fully included in the cost of different technologies.

Although these recommendations from the EC (still subject to change but already published) are not binding, they will be taken into account when the incentive systems for renewable energies are evaluated in each country in 2015, once the Guidelines on State Aid for Environment – which will be binding– are approved. Since the Spanish energy reform largely contravenes these recommendations and is not yet final (pending approval from the Parliament), the **Spanish Wind Energy Association** believes that the European Commission's position justifies a revision of the model that the Government intends to implement and the adoption of an alternative system that respects the principles identified in the European documents and the need for legal security of the investments made under the previous legislation.

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