

The Spanish wind power industry installed less than 0.1 MW in the first semester due to the regulatory situation

- Total installed power reached 22,970.58 MW by June 30th
- Just a single turbine of 0.08 MW was connected in Galicia in the period
- With no orders for the domestic market, the industry needs incentives to remain in Spain

Madrid, July 29th, 2014. The consequences of the strong regulatory punishment suffered by the Spanish wind power sector are already visible: in the first semester of the year, Spain only installed a wind turbine of 0.08 MW in Galicia, bringing the total installed wind power to 22,970.58 MW, according to data compiled by the **Spanish Wind Energy Association (AEE)**.

During the first half of the year, 11.5 MW were connected in Gorona del Viento, on the island of El Hierro (Canary Islands). Gorona del Viento is the only pilot wind farm of its kind due to its wind-hydraulic hybrid character; it counts with a specific remuneration assigned exclusively to that facility. The new regulation does not provide incentives for pilot projects which closes the door to new initiatives of this kind in Spain.

The legal uncertainty brought by the regulatory package under the name Energy Reform will stop new investments in the country due to the fact that the rules are retroactive and the new remuneration system does not guarantee a reasonable return of the projects. Therefore, it is unclear whether the 177 MW that were still not installed but registered in the Register of Pre-Allocation by December 31st 2013 will eventually be constructed. The Register of the Pre-Allocation is the quota established in 2009 by the Government so that only the new wind farms registered could receive the remuneration provided for in Royal Decree 661/2007. Last year, the holding companies of 928 MW in this Register gave up the installation of the power allocated because of the new regulation. Although the Register guaranteed the right of registered wind farms to get paid a certain premium for 20 years, the Energy Reform eliminated the rights acquired by existing facilities.

The lack of new investment is having a direct impact on the wind power industry: with no possibility for new manufacturing orders for the domestic market, it faces the dilemma of closing factories and choosing between staying or leaving Spain. Given the will expressed by the Government in its *Agenda to strengthen the industrial sector in Spain*, **AEE** considers essential that wind power is among the industrial sectors to be boosted because of its multiplier effect on the Spanish economy thanks to its technological, innovative and export nature, its job creation possibilities and its prominent worldwide position, among other things.

The wind power industry is without a doubt the most penalized sector by the Energy Reform and the difficult position in which it finds itself as a result of the new regulation has to be taken into account when coming up with the new regulatory decisions in the making. The rules pending or being processed, like the Ministerial Order for Interruptibility or the Royal Decree draft on capacity payments, could pose new costs with devastating effects on the sector. Also, the second part of the Tax Reform that the Government is working on should take into account the requests from the industry regarding the rationalisation of the regional taxes of supposed environmental nature or the removal of the 7% tax on power generation and replace them with tax measures introduced at national level for all energies following homogeneous and pre-established criteria, based on the principle of *whoever pollutes pays*, as advised by the *Lagares Commission*. Furthermore, it is important that there is an option under the Electricity Industry Law 24/2013 which states the possibility of wind power participating in the system's adjustment services and being properly remunerated for it.

In spite of this insignificant increase of power in the semester, wind power stood as the first technology of the electrical system in the first half of the year with a generation of 28,818 GWh and an electricity demand coverage of 23.2%, according to provisional data of Red Eléctrica de España (the Spanish TSO). This means consumers have benefited from the lowest semester average electricity market price since 2010. At 32.9 Euros/MWh (according to provisional market data from OMIE, the Spanish Market Operator), it stood an 11% below the price of the first six months of 2013 and a 31% below the same period in 2012.

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