Renewables subsidies cut off

Gloomy prospects – not just for the wind sector. The industry has met the moratorium on state subsidies for renewable energy with protest.
Photo: AEE / Luis Garcia

In a ruthless domestic policy move, the new Spanish government has slashed all subsidies for renewable energy at a stroke, risking the collapse of the domestic industry.

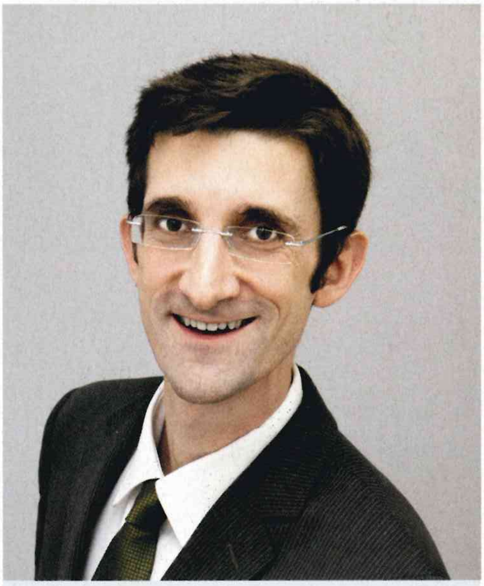
"This took us by surprise," says Mischa Bechberger. The International Affairs Manager of the renewable energy association APPA, based in Barcelona, seems completely baffled. "It's a nightmare for small- and medium-sized companies," he says. In light of the Spanish budgetary situation, "it was clear that they weren't going to tread lightly," says Bechberger of the conservative People's Party (PP) government, which has been in office since November 2011. However, it is going to get worse than it was under the socialists, who governed the destiny of Spain for seven years under José Luis Zapatero and were little loved by the industry. One of the very first royal decrees (RDL – Real Decreto Ley 1/2012) to be passed by the cabinet under its new Prime Minister Mariano Rajoy at the end of January put a stop to state funding for renewable energies. The feed-in tariff system for electricity produced by all forms of renewables, combined heat and power and waste-to-energy plants has been immediately suspended, as has the ongoing registration of such projects, a prerequisite for securing payment.

According to the wording of the law, the halt to subsidies for new plants is only temporary and may be lifted by the government in exceptional cases. However, the document includes no mention of a time frame. "It could take awhile," says Bechberger. There is a fear that some technologies may never again enjoy the support of feed-in tariffs.

"Maintaining the current system of remuneration is incompatible with the present economic crisis," said Industry, Energy and Tourism Minister José Manuel Soria, in defence of the cut. The point is to reduce the tariff deficit which currently stands at several billion euros. These national debts are principally the result of years of subsidised electricity prices. Renewable energies contribute to this – if only a tiny fraction – because the feed-in tariff is paid by the state and not directly added to consumers' electricity bills, as it is in Germany.

The Spanish wind energy association, AEE (Asociación Empresarial Eólica), is on the warpath. "Paralysing wind energy at this stage, when it only needs a few more years to be competitive without incentives, puts at risk the future of a leading global industrial sector which generates € 2.4 billion in export revenues for Spain," the association wrote in an official statement. Wind energy also contributes just under 1 % of Spain's GDP and secures 30,000 jobs.

The halt to wind energy subsidies will not take immediate effect, however, as projects already registered are excluded from the freeze, along with all existing renewable energy installations. As part of a state-decreed medium-term plan, the wind energy sector had already been required in 2009 to submit applications for planned installations out to 2013. As a result, according to the AEE, some 1,903 MW are registered with the Ministry of Industry, Energy and Tourism and still have a right to compensation. The completion on schedule of around 900 MW by the end of 2012 is still "problematic". Grid connections and power lines are not ready, and "administrative difficulties" are delaying progress in planning. According to the financial newspaper Cinco Dias, other projects totalling more than 11 GW which arose out of



Mischa Bechberger Photo: APPA

Piet Holtrop Photo: Oliver Ristau

calls for tenders in Spain's individual states – the autonomous communities – also hang in the balance. The prospect of these projects having to cope without any central state funding has led some regional government leaders to demand an exemption from the moratorium from fellow party members in the Madrid government. Furthermore, without subsidies, Spain is highly unlikely to be able to keep its promise to the EU pledged in the national action plan for renewable energy to extend its onshore wind capacity to 35 GW by 2020. By the end of 2011, the country had installed 21.7 GW.

While the wind turbine manufacturers worry about their future in Spain, José Maria Roger Ezpeleta, CEO of the publically traded renewable energies developer Fersa Energías Renovables in Barcelona, appears quite relaxed. In an interview with SUN & WIND ENERGY he said the old decree was also full of uncertainties. "It seems rational to me that the government is taking its time to find a new solution in order to develop clear standards for the future. It's good for the industry as a whole." (You can read the entire interview on our website: www.sunwindenergy.com, search term: "Roger Ezpeleta".)

The concentrating solar power (CSP) sector has also not put up much of a fight, since its current plan is not affected by the decree. As with the wind sector, the industry had to take the trouble to register its upcoming projects out to the end of 2013 in 2009 and had an additional year in its planning window. Some 40 projects with a capacity of around 1.5 GW are in the pipeline, of which the majority are already under construction according to information provided by the industry association Protermosolar. By the end of 2011, CSP plants with a capacity of around 1.0 GW were already in operation.

Resistance from the PV sector

In contrast, the photovoltaic industry is in uproar – only a maximum of 300 MW of new PV installations can still be entered in the registry. The union of Spanish PV associations (UNEF) fears that once these installations are completed the sector, made up mostly of medium-sized businesses and providing 12,500 direct jobs, will collapse. In a meeting with industry minister Soria in February, the union therefore insisted that the government go through with the first two quarterly rounds of bidding in 2012 which would qualify projects for subsidies. After that, the personal consumption rule, which has been announced but not yet passed by the government (S&WE 1/2012), could close the gap.

APPA manager Bechberger is not ready to simply accept the situation as it is. "The abrupt cessation of subsidies and approvals is discriminatory when compared with other energy technologies. There are biogas companies, for example, which have made considerable financial and material outlays and which are only a few documents away from registration. These investments could now be stranded." APPA therefore wants to keep the legal option open. Piet Holtrop is well versed in this field. The Barcelona-based lawyer represents around 1,000 clients in the PV sector who are taking legal action against the scheme of the previous government to retroactively change the feed-in tariff. "We will also take legal action against the new government's RDL 1/2012," he said in an interview with SUN & WIND ENERGY. "In the first instance, it's a matter of claims for damages for all those who make investments based on existing laws. In the second, the decree contravenes EU law." EU Directive 28/2009, which specifies an EU-wide renewables target of 20 % of final energy consumption, sets forth a discrimination-free and reliable energy policy, says Holtrop.

There is a good chance of a favourable response from the EU. In reply to a question raised by S&WE, a spokeswoman for EU Energy Commissioner Günther Oettinger says that "reforms of renewable energy support schemes (are) needed to reduce their costs ... However, it is important for Europe's renewable energy industry that such reforms are managed carefully. The suspension of all new renewable energy projects will have a disturbing impact on investment. How can we plan to reduce dependence on fossil fuels and develop new industries and jobs if we create such a volatile investment climate?" She also criticised the lack of coordination with industry: "Reforms should be undertaken with the market players and not with such sudden stop-start approaches." That causes, "disruption and confusion to the investors and market players who are creating the jobs and growth Europe needs so much."

Oliver Ristau