



A B O G A D O S

ARAOZ & RUEDA

THE SECOND RENEWABLE REVOLUTION

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Spain is once again one of the most interesting countries to invest in renewables. There are several reasons for this, from weather conditions to the existence of a strong and highly experienced industrial and service sector. In addition, one of the aspects to consider is the political one, which ranges from explicit support from public administrations to regulations favoring the renewable development.

In this sense, the government initiated a regulatory reform process a few years ago that has been well received by the market. The previous legislation was obsolete and was designed for a different purpose than the development of renewables. Companies were operating in parallel to the regulation. The main problem of the reform process is the speed, since, once again, it passes a lot of time from one provision to the next, creating uncertainty. It would be desirable for the Government to make an effort

to complete the regulatory reform in the short term so that companies could operate with legal certainty. In the practice, companies are ahead of the regulations setting the pace.

In particular, the forthcoming Climate Change and Energy Transition Law should have been the first regulation to be published, so that its general principles would inspire the legal system and serve as a starting point for reform. Nevertheless, it is welcome, albeit belatedly. We will see



in the coming years whether its inspiring principles, which are also included in several international treaties signed by Spain and European legislation, are really implemented.

Among the reforms, a very important one is the regulation of auctions and their consideration as the ordinary remuneration mechanism as opposed to previous systems. An auction calendar has also been approved and the first auctions have been called under the new legislation. For the first time, generators have three options: a) go to pool price, b) sign a power purchase agreement (PPA) or c) participate in the auctions. We will see in the future which one wins out and even whether mixed models will prevail.

Furthermore, a growing and increasingly interesting PPA market has been created. What was once an uncertain option is now a growing and sought-after reality. We are seeing more and more PPAs in their various forms. The existence of a PPA market is very important and gives renewables a great deal of autonomy comparing to the former dependence on feed-in tariffs for financing.

On the other hand, changes with great potential have been approved regarding self-consumption, mainly in access and connection rights and, indirectly, in processing times. Here is where we can more clearly see the damage and uncertainty generated by the delays in the approval of new regulations. Despite the favourable assessment of the reform, there are still loopholes

and “dark” issues already known by the administration. A mechanism to resolve queries should be established, either before the CNMC or before the Ministry.

From a technological perspective, hybridization and storage have been recently regulated and a solution has been found for bifacial modules. It will not be too long before we see projects with these characteristics. In particular, bifacial modules are already a reality and storage and hybridization can provide a quantitative and qualitative leap in renewable generation.

Moving away from the classic sun, wind and water, new clean energies are knocking on the door (such as hydrogen, biogas, biojet and other sustainable fuels), many of which are already a reality and others are being worked on with good short-term prospects. We believe that progress must be made regarding a more detailed regulation for these new fuels and their complementarity in generation with classic renewables (e.g. hydrogen and photovoltaic or wind).

Technology is a key element for the future development of renewables and, in particular, much of the future development of renewables depends on the evolution of technological progress to make economically viable what many already envisage and design. Definitively, the combination of renewable technologies opens up a new and attractive field.