

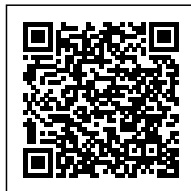
# CALCULATING THE LOSSES INCURRED BY THE SOLAR SECTOR - KPMG

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Fernando Cuñado

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The 40 percent reduction in feed-in tariff rates applicable to solar photovoltaic sector schemes and the introduction of a cap on the volume of output that can be sold, introduced last year by the Spanish Government, has prompted much anger in the market; raising claims before the Spanish courts in a bid to end the controversial reforms.

La reducción de las primas para el sector fotovoltaico en un 40% y la introducción de un tope en el volumen de salida energética están siendo investigadas por los juzgados españoles, explica Fernando Cuñado, de KPMG Forensic en Madrid.

Fernando Cuñado, a Partner of KPMG Forensic in Madrid, believes that potentially thousands of solar electricity producers are likely to begin actions on the basis that they will now earn only a standard rate for production when they were previously earning a premium rate.

"Investors will make a petition to the Supreme Court for damages caused by the regulatory uncertainty as a result of the retroactive tariff cut," he observes. "The Spanish media has estimated that there could be more than 500,000 entities affected by the changes."

One key issue, however, is calculating the actual financial loss incurred by each claimant. Cuñado points to the high profile case in which a group of 14 foreign infrastructure and energy investors (with collectively \$30bn of assets) has opened arbitration proceedings against the Government in an attempt to recover "hundreds of millions of euros" lost through the tariff changes.

To determine quantum, companies need to undertake a number of financial procedures to assess the potential loss, such as discounted cash flow and actual value, as well as loss of profit, he says.

The growing complexity of Spanish energy regulation and the recent changes that have arisen require a detailed analysis from both an economic and financial point, if companies are to engage in a robust calculation of the damage actually caused to them.

"The involvement of an independent expert and the coordination with the client's legal team are therefore key strategies to be considered if market players are to properly face the challenges of the new regulatory scenario."