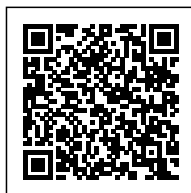


LIGHTING UP THE TRANSACTIONAL MARKETS - URÍA MENÉNDEZ

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Spain's solar power sector is a world leader and one in which there is continuing transactional activity as operators and investors seek to acquire assets, technology and expertise, says Juan Ignacio González Ruiz, energy and finance partner at Uría Menéndez

El sector de energía solar en España continúa experimentando una actividad considerable gracias al interés de los operadores e inversores en identificar y adquirir activos, además de querer capitalizar la experiencia y la tecnología existente, afirma Juan Ignacio González Ruiz, socio de Energía y financiero de Uría Menéndez. El país ofrece no sólo una experiencia de alto nivel internacional, sino que además se presenta también como una plataforma operacional desde la que los protagonistas del sector pueden actuar en el marco internacional.

Despite the uncertainty that may surround Spain's wider transactional markets the energy and renewables sector continues to see deal activity, and among the assets most in demand are solar

power projects, says Uría Menéndez energy and finance partner Juan Ignacio González Ruiz.

'Although issues continue to surround solar power in Spain, notably the generosity of the domestic tariffs after September 2008, we are nonetheless seeing strong interest among investors for solar power assets,' he says. 'The new tariff agreements when announced may not be as kind as has previously been the case, but investors remain convinced that they will be good enough to guarantee a return on investments.'

Alongside the interest of domestic and international energy players, González Ruiz notes the continuing demand generated also by private equity houses and private investment vehicles.

'We are still seeing strong demand from energy companies and operators to develop new solar projects, but there is clearly now a secondary market for solar power assets. Buyers are interested in acquiring complete or nearly complete projects even if they may not be operational until after the September tariff deadline.'

This demand is inevitably having an impact on prices, he says. 'The closer projects are to completion and the stronger the likelihood that they will benefit from the existing tariffs, the higher the prices that are being attained – buyers are clearly factoring in the risk of projects over-running the September deadline.'

Evident now also, he says, is the appetite among operators and investors to establish pan-Iberian solar project portfolios.

'Though Portugal and Spain are separate legal jurisdictions there are similarities in the issues facing operators, and the ways in which they regulate the solar sector. An issue in Portugal remains however the relative bottleneck in connecting power plants to the grid, and where the best positioned projects are again attaining higher prices.'

Sophistication

The growing scale of solar projects has the potential to raise issues but it is also prompting greater sophistication in the sector, suggests González Ruiz. The legal framework may remain the same but increased scale brings the need for more finance and raises new logistical issues, around supply, construction and grid connections.

'We are seeing a different type of sponsor and operator. There is less entrepreneurial activity, more complexity and greater interaction with suppliers and energy companies with substantial operations across the sector. The level of discussion is correspondingly more complex.'

Spain has emerged as a centre of technological and commercial excellence in the solar sector, he believes, with evidence not only in strong demand for projects but also for peripheral expertise.

'In the early 2000s there was a rush to acquire technology and to get the relevant know how necessary to develop projects. The move towards larger scale solar projects – including thermo-solar projects – is prompting the same trend where access to components and infrastructure is of evergreater importance.'

Many solar projects may be planned but a recurring issue remains how many will actually reach completion. Nonetheless, by the end of the summer Spain will likely see close to 1000MW of installed solar capacity, he suggests.

'The consensus is that Spain has a great pool of talent with regard to construction and development, as well as commercial and regulatory issues, and this is proving attractive to industry players inside and outside of the country,' says González Ruiz.

Many operators and sponsors see Spain as a platform from which to expand internationally and so

the only real limit to their success, he suggests, is the extent of their ambitions. 'We have already seen Spanish solar operators spread their wings and now have interests in projects in countries as diverse as the US and India.'