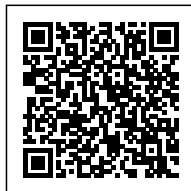


MAKING SENSE OF REGULATORY UNCERTAINTY - URÍA MENÉNDEZ

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Ongoing reforms and legal uncertainty is not assisting businesses, says Juan Ignacio González Ruiz at Uría Menéndez

A key challenge that faces sponsors and operators across the Spanish energy market is a changing and often inconsistent legal and regulatory framework, particularly in the renewables sector, says Juan Ignacio González Ruiz, energy and finance partner at Uría Menéndez in Madrid.

"Some of the most recent amendments contained, for example in the Royal Decree published in May, while pragmatic nonetheless came as a surprise to many – there was no public dialogue and very limited opportunity to advance opposing views."

"Las, históricamente, generosas tarifas españolas en los sectores de energía solar y fotovoltaica pueden haber sido insostenibles, y esto se ve afectado por una continua falta de compromiso y transparencia en la regulación del gobierno," dice Juan Ignacio González Ruiz, Socio de Uría y Menéndez en Madrid

Certainly some new projects will be suspended or may even be abandoned as a result of the most recent changes, he says. Sponsors and operators across the energy sector need therefore to be careful to assess both the short and long-term viability and legal framework that may surround their projects, he says.

"Legal frameworks can seemingly change overnight, so to avoid unpleasant surprises and to avoid projects falling victim to seemingly arbitrary changes, operators need to be flexible but crucially also to maintain a constant dialogue with the relevant Ministry and CNE."

Spain's historically generous tariff feed-in rates in the solar photovoltaic and thermal solar sectors may have been economically and politically unsustainable, but there remains a consistent lack of industry engagement and transparency in developing government policy and regulatory decision-making, he says.

"The Ministry of Industry and the energy regulator (CNE) have not always co-ordinated policy decisions or even maintained consistent views, which is clearly harmful to the long-term viability particularly of the renewables sector in Spain – which in some respects has prospered despite the legal challenges it has faced."

Engagement with industry bodies and associations can offer an important source of market insight and a measure of market sentiment, he says, but even in light of the most recent regulatory changes it may still be prudent for sponsors to continue to progress projects albeit while being wary of potential financial over-commitment.

"For some investors the rules of the game seem to be able to change overnight, inevitably the emphasis of many is therefore moving away from financing new projects to seeking out opportunities in a secondary market – towards established, operational, and less vulnerable renewable energy schemes.