

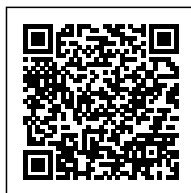
REDUCING THE SHINE OF SPAIN'S SOLAR SECTOR - BIRD & BIRD

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Hermenegildo Altozano

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There was a time, not long ago, when Spain was a bright spot in the global solar market. The country attracted significant interest from international sponsors and banks for developing solar schemes.

Los cambios regulatorios en cuanto al sistema tarifario en el sector de la energía fotovoltaica ha afectado no solo a la viabilidad de muchas empresas del sector sino también a la voluntad de bancos y regímenes financieros de invertir y refinanciar a gran parte del sector, afirma Hermenegildo Altozano, de Bird & Bird en Madrid.

The last few years, however, have not been so good, says Hermenegildo Altozano, Head of Energy at Bird & Bird in Madrid. Spain has recently enacted Royal Decrees that have adversely impacted the

once booming solar photovoltaic market.

"Firstly, the agreed feed-in tariffs – the prices paid for the energy produced – were lowered by cutting-off retrospectively the time frame during which the relevant photovoltaic solar installations were entitled to receive the feed-in tariff."

Lower revenues and over-capacity has had major ramifications. Companies that had agreed solar financings based on a set tariff income are having to renegotiate new terms, while the banks are now more reluctant to lend because of the risk of future changes to the system.

"Banks have attempted to counter the financial risk by increasing debt service cover ratios," Altozano adds. "They are also introducing covenants on loan agreements that state that any risk of future alterations in the feed-in tariff framework will be borne by the companies themselves."

Despite the challenges facing new projects, there is however some optimism. Altozano points to Spanish solar developers' expansion into other markets, such as Italy, France, Turkey, Chile and South Africa, and stresses that the new regime has helped create a healthy secondary market for renewable energy in Spain. "We are seeing more foreign funds choosing to invest in existing renewable assets," he concludes.

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