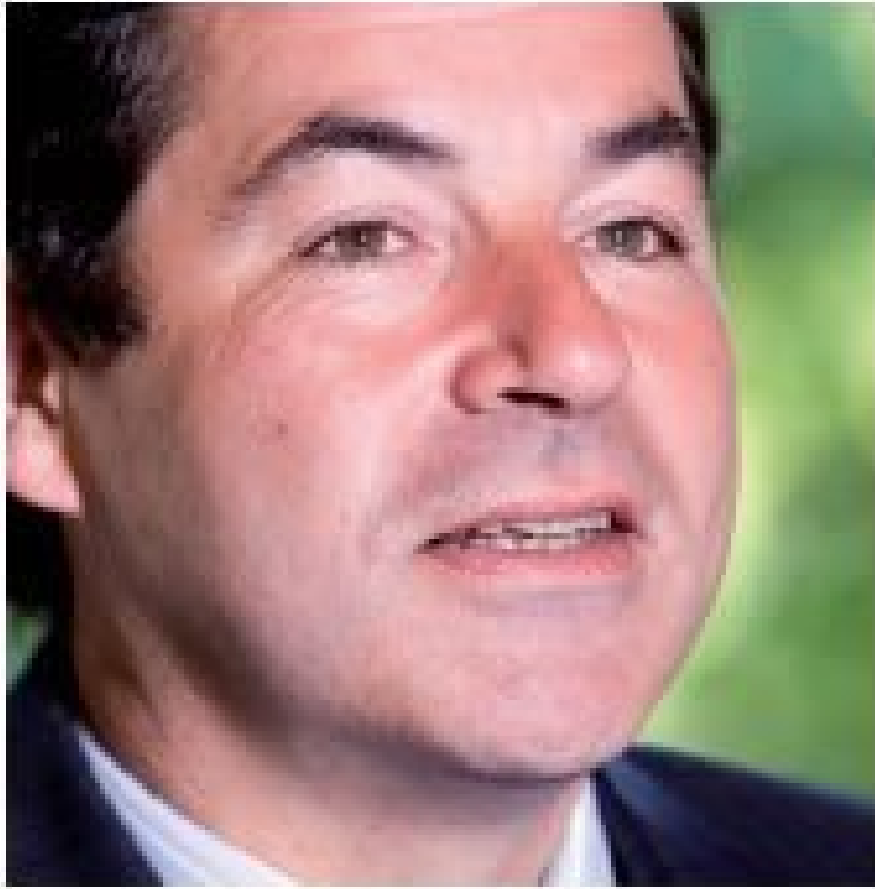


TARIFF CHANGES FAVOURING MORE SOPHISTICATED INVESTORS - ARAOZ & RUEDA

Posted on 17/07/2010



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Category: [Energy](#)



Pricing uncertainty is reducing the degree of commercial speculation in the renewables sector, while encouraging larger renewables players into the market

The coming months will likely see new regulation affecting the renewables sectors in Spain, with a consensus that much of the existing regulatory and tariff regime will change. Any uncertainty inevitably raises concerns, but such developments may yet favour the largest, most sophisticated investors, says Francisco Solchaga, partner with Araoz & Rueda at Madrid.

Los próximos meses traerán aún más regulación en el sector de las renovables en España, y todos concuerdan en que el esquema de aprobación de tarifas va a cambiar sustancialmente. La incertidumbre está generando preocupación y parece que solo se beneficiará a los inversores más grandes y sofisticados, afirma Francisco Solchaga de Araoz & Rueda

"There is a belief that the feed-in tariffs will change, and perhaps substantially. But previous reductions in the generosity of the regime to date have already reduced speculative investment in certain areas and led to a maturing of the sector."

Good investment returns can still be made, albeit not at the levels seen previously, he believes. But a continuing challenge is the cap on the volume of megawatts entitled to get the feed-in tariff. A limit has been introduced to align Spain's Autonomous Communities' (ACs) desire for renewables schemes with the central Government's ability to subsidise production.

"Over the past decade many ACs have begun to follow distinct paths in terms of planning and production eligibility criteria, this has been at odds with the Government's willingness, or ability, to pay feed-in tariff premiums." Nonetheless, appetite remains for new and larger schemes across wind, solar and thermo solar. But the challenge is how to make them viable in the new regulatory scenario and with potential lower guaranteed revenue streams.

"Experienced clients know the nuances of the Spanish system and feedin tariff eligibility criteria. The critical outstanding issue is the maximum number of MWs that will be allowed under the new regime, and even what will be the retrospective impact of any reduction in the fee tariffs."

Nonetheless, the renewables sector in Spain has faced previous challenges and will overcome these latest difficulties, believes Solchaga.

"The last decade has been characterised by regulatory crises, yet regardless, the outcome for the renewables sector has been continued growth. Companies are getting stronger and the banks more supportive of those with experience and a consistent track record. The number of players in the market may be smaller but they are increasingly sophisticated and more powerful."