

Renewable energies: employment and development

“People should not be made to pay for the errors of others”

Felipe Benjumea, chairman of Abengoa

The energy model currently in existence in Spain cannot be sustained over a long period of time. It is based on an 80 % contribution from fossil energies; practically all of which are imported. This dependence on foreign energy sources represents a serious burden for the trade balance, security of the energy supply and therefore poses a threat to national security. Even more powerful is the fact that fossil fuels are the main cause of global warming and climate change. For all of these reasons, the European Union has embarked upon the path towards a renewable energy-based energy system, and Spain has undertaken a commitment to obtain 20 % of its energy from renewables by 2020. Likewise, in its “Energy Roadmap 2050”, the European Commission has defined a much higher level of penetration of renewable energies for the following decades.

There are two approaches to addressing the necessary evolution towards a renewable energy model. One option, the most prevalent in our history, is to wait for others to develop the technology and then acquire it from them. The other possibility, which has historically turned the most developed countries into leaders, would be to capitalize on the tremendous opportunity to boost the economy and generate employment by participating at the front line of development and becoming exporters of technology, equipment and installations. The conditions are right at this time for taking the latter tack. For the first time in its history, Spain occupies a position of leadership in a major technological-industrial sector of growing importance worldwide. In our country, the renewables sector directly employs over 120,000 people, generates 1 % of GDP, and invests 2.67 % of its contribution to GDP towards R&D; more than double the national average. Spain is a world leader in solar thermal technology which provides employment for 25,000 people, with the vast majority of jobs found in regions with higher unemployment rates, and also enables the curbing of burdensome imports of fossil fuels. Spanish companies are building more solar thermal plants abroad than inside Spain, maintaining higher value-added activity in our own country with the resulting development in other sectors, payment of the corresponding taxes, job creation, and the exportation of cutting-edge technology.

An intense debate has arisen in recent weeks around the “Tariff Deficit” of the electrical system, which has been utilized to attack renewable energies and accuse them of being the cause of the same.

But, what is the “Tariff Deficit”? It is the difference between the selling price of the energy produced by large power companies and what they collect from consumers. This can be due to the large power companies selling the energy at a high price or to consumers paying little for the same. In this case, the problem lies in the sale price and the recognized production costs and not the price paid by the consumer.

This difference has generated an accumulated deficit of more than €24,000m, the origin of which is to be found in the unsuitable regulation derived from the Electric Power Act, and which has grown to the point where it has become one of the major issues to be resolved by the new Government. The sales price is inflated by the premium at which

hydro and nuclear energies are being sold. These were promoted in pursuit of greater energy independence and to avoid dependency on oil prices. But due to an error in the law I referred to earlier they have been selling at prices correlated with oil, while neither use said fuel or natural gas. They have sold their energy at very high prices, benefiting from rising oil prices and producing the paradox that the higher the price of oil the dearer the sales price of hydro and nuclear energy in Spain. This is what has caused the €24,000m deficit in recent years. Of course, this would never have happened had the previous Government tackled the problem eight years ago (no doubt the premium for the takeover of Endesa also played its part).

There are ways to solve the problem starting on the basis that it is not fair to continue to raise the price as has been done in recent years, but what is owed cannot be ignored either. The proposing of laws that change the rules of the game, under which investors legitimately and in good faith decided to invest based on expectations the legal framework established, is not taking things seriously.

As a result of that protection of investments, compensations were established for utilities to changeover from the old laws to the existing situation. Those compensations were called costs of transition to competitiveness or CTCs. Costs that these large companies have been paid but, incredibly, to the tune of an excess of more than €3,000m. Therefore, the first step towards solving the deficit is to deduct what has been overpaid for the CTCs from the amount owed to the large power companies.

Secondly, the large power companies must be treated like the rest of the Spaniards to whom public administrations owe money. As the Government has rightly resolved, nobody is to be paid interest for the delay above the legal price of money, although utilities are currently being paid it. These costs can be quantified in €5,000m, which would also be deducted from the outstanding debt.

Thirdly, the compensation system for hydro and nuclear energy must be changed to ensure they are not correlated with oil. In spite of owners' investment recovery, the Spanish nuclear industry still receives 42 % more than its French counterpart and 62 % more than estimates shown for Germany before discontinuing its nuclear program. This slice can be valued at €3,000m per year of lower deficit (these are the "windfall profits").

Next, hydroelectric concessions should be charged a fee, similar to that paid for the radio-electric spectrum, to prevent, as is the current situation, free usage of water from public waterways. The same step can be taken with the extraordinary revenues derived from the CO2 emission payments system.

With all the aforementioned and some other minor measures, the problem of the deficit can be resolved without increasing consumers' bills and without any moratorium of renewables. Resolving the problem is not a question of everybody paying, innocent and sinners alike; especially when solar thermal energy has not contributed to causing this deficit and, besides, it has already contributed to resolving it with more than €1,200m through the agreement with the previous Government reflected in Royal Decree 1614/2010 dated December 7.

What about renewables? Are they genuinely expensive? Electrical power generation as a whole comes from a variety of sources in our country as the result of decisions and commitments undertaken within the European Union. Each technology should be

compensated according to its costs and degree of maturity. Paying prices like those obtained by nuclear or hydraulic power, far above their costs, amounts to an unjustified subsidy.

Renewable energies are lowering their costs by rapidly moving up the learning curve, which, in just a few years, will enable them not only to generate indirect benefits that compensate for their higher costs, but will also drive these costs below those of energy obtained from fossil fuels that set the market price. According to a report published last November by the European Association of Academies of Sciences, thermoelectric power generation will achieve costs that are lower than those of fossil-based energy by the next decade. This fact is spurring a host of nations to promote the construction of these types of power plants, and has led the way for Spanish companies to carry out many of these projects. In order for us to continue to make the most of this opportunity to create jobs and boost development, regulation enabling construction in Spain of plants through which our companies can demonstrate their technological advancements is essential. The development of renewable energies embodies a top-level commitment to present and future employment, the environment, the trade balance, and to our independence. Attributing the power tariff deficit to renewable energies is simply erroneous; attempting to avoid future deficit by putting a stop to this activity, a grievous mistake.