

Royal Decree-Law 23/2020 , of June 23, which approves measures in the field of energy and in other areas for economic recovery

Official note. Vice Presidency of the Government of Spain. Ministry for Ecological Transition

The deployment of renewables in Spain, which has been set to have a 100% renewable electricity system before 2050, will allow to profit its potential in terms of job creation, economic activity and competitiveness, in line with the European Union's green economic recovery plans. Spain has an important renewable resource and a consolidated value chain with growth capacity

- Among other issues, the regulation approved today establishes milestones and time limits to avoid speculative movements in the use of network access permits.
- The Royal Decree-Law also creates a new auction system that offers stability to the inverter and allows all the consumers benefit from the savings associated with integrating renewables into the system, as they are the cheapest source of power generation
- New business models that the sector is already demanding are incorporated into Spanish regulation, such as storage, hybridization and the independent aggregator. At the same time, renewable energy communities are regulated, which favor citizen participation in the energy transition
- In order to ensure the liquidity of the system and mitigate imbalances caused by the COVID-19 crisis, the possibility of injecting the surplus from previous years

June 23, 2020- The Council of Ministers, on the proposal of the Ministry for the Ecological Transition and the Demographic Challenge (MITECO), has approved today, Tuesday June 23, a Royal Decree-law with a series of measures to promote, from orderly and fast, the energy transition to an electrical system 100% renewable and promote economic recovery in line with the European Green Pact. The standard removes barriers to the massive deployment of renewable sources, defines new business models and promotes energy efficiency, among other issues.

With this, and in the context of the recovery after the COVID19, a stable framework is established that will allow Spain to take advantage of its potential, in terms of job creation and economic activity, linked to a clean, fair, reliable and economically competitive energy transition. At the same time, the framework will reduce the electricity bill since renewables are the cheapest source of generation.

The Royal Decree-law is divided into four blocks. The first includes the regulation of access and connection and regulates a new auction mechanism to provide renewables with a predictable and stable framework. The second focuses on the promotion of new business models that will be key in the coming years, as is the case of demand aggregation, storage and hybridization. Thirdly, the Royal Decree-Law addresses the promotion of energy efficiency by making the National Energy Efficiency Fund more flexible; and, finally, a series of sectoral measures are established to boost economic activity and employment in response to the COVID-19 crisis.

GUARANTEES FOR FIRM RENEWABLE PROJECTS

In its article 1, the Royal Decree-Law is dedicated to the regulation of access permits and connection to the electricity grid, two authorizations that developers need to start up their renewable plants. The fundamental objective is to ensure that these rights are associated with real and firm projects, and to avoid speculative movements that may occur in the absence of current regulation.

Currently, there is a high number of requests, totaling more than 430,000 megawatts (MW) –320MW in 2019 and 108MW in 2020–, and there are indications of the eventual speculative component of many of them, given the low maturity of the projects or the volume of cases of access permission holders who have not requested the equally necessary connection permission: around to 60%.

This situation hinders and makes it more expensive to start up the solvent projects that, in the next decade, will install around 60,000 MW of renewable power in Spain, according to the planning of the National Integrated Energy and Climate Plan (PNIEC) 2021- 2030. This boost is estimated to attract investments of more than 90,000 million euros, generating between 107,000 and 135,000 net jobs a year over the next decade.

Therefore, it is urgent to order the permits according to their viability and solidity to favor the deployment of clean energy, which will allow 74% of electricity in Spain to be renewable in 2030 and reach 100% by 2050, Thus contributing to achieving the objective of climate neutrality that the country has set itself in line with the Paris Agreement and the commitments of the European Union (EU).

To this end, the Royal Decree-Law establishes a series of successive administrative milestones, with time limits depending on the moment in which it was granted. The holders must be accrediting the fulfillment of each one of those milestones –among them, obtaining the favorable environmental impact statement and authorization administrative building - at the set times. Otherwise, the permits will expire automatically and, where appropriate, the economic guarantees that are required when

requesting the authorization will be executed. The last of the deadlines ends five years after starting the computation for the first milestone.

Within three months from the entry into force of the rule, both the holders and applicants of these authorizations may renounce them, proceeding to the return of the guarantees. In addition, there is a moratorium on new access requests: they cannot be requested until a new regulation on these permits, which should require applicants to mature more in previous projects and studies. In this way, potentially new speculative requests about the capacity that is released while the regulations are developed, which must be approved by the Government and the National Market and Competition Commission (CNMC), in their respective powers, within three months from the publication of the Royal Decree-Law.

NEW AUCTION SYSTEM FOR THE MANAGEMENT OF RENEWABLES

Another key issue to favor the massive installation of clean energy over the next decade, thereby activating the entire associated industrial value chain, is to enable a new system of renewable auctions that, on the one hand, offers predictability and income stability. and investor financing of new renewable plants; and, on the other, directly transfer to consumers the savings associated with the incorporation of renewables into the electricity system, given that it is the cheapest source of energy generation.

In this new framework, which the Government will develop by regulation, the variable on which to bid will be the price of energy. The procedures must be oriented to cost efficiency and can distinguish between different technologies generation based on its technical characteristics, size, levels of manageability, location criteria and technological maturity, among others. They may also take into account the particularities of the renewable energy communities so that they can compete for access to the remuneration framework in level of equality with other participants, all in accordance with community regulations. In addition, in order to favor small-scale facilities and innovative pilot projects, the standard allows them, in accordance with the European Renewable Energy Directive, to be exempted from attending the auction in order to receive compensation.

The current framework was developed in 2013, a time when the cost of generating a renewable kilowatt hour was more expensive than the price at which it was sold on the market. The current situation is just the opposite and it is necessary to update the model. In fact, the remuneration systems of countries around Spain, similar to the one designed in the Royal Decree-Law, they reflect auction results with prices lower than those registered in the electricity market, since technological development in recent years has significantly reduced the cost of generating electricity from renewable sources. The transfer of these economic savings to consumer, and in particular industry, will promote the competitiveness of the Spanish economy.

SIMPLIFICATION AND FASTER PROCEDURES

The Royal Decree-Law simplifies and streamlines the processing of renewable projects and the associated electrical infrastructure, thus removing barriers to their implementation. Among other issues, it regulates the cases in which the developer will not need to renew certain authorizations if he modifies the project in a non-substantial way and the facility authorization procedure is simplified.

mobiles that connect to the transport and distribution network. These types of devices, such as transformers or ballasts, will play an increasingly relevant role for the energy transition, by allowing the renewables to be maximized, since they provide flexibility and agility to their operation. They are also necessary in the event of damage repair caused by events adverse weather conditions.

This third battery of measures, together with the organization of access and connection and the new auction framework, will allow boosting investment in new facilities, generating economic activity and employment in the industrial value chain associated with the renewable sector, which in Spain is consolidated. According to industry data, 90% of the elements of a wind turbine are manufactured in Spain and, in the case of photovoltaic solar panels, the country's industry generates components - power electronics, structures, trackers, etc. - that add up to more than 65% of what is necessary to build and operate a solar installation.

NEW BUSINESS MODELS LINKED TO RENEWABLE

In the same line of economic activation, the Royal Decree-law incorporates new business models into the Spanish legal system that will be key in the energy transition and that offer, from this moment, opportunities for economic growth, employment and improved competitiveness. This is the case of the figure of storage, which is regulated by this standard, which will allow managing and optimizing the energy generated in new renewable plants; and hybridization, which makes it possible to combine various technologies - photovoltaic and wind, for example - in the same installation. With this, the use of networks is optimized existing electrical and environmental impacts are minimized by making the most of plant locations.

Both figures will allow the rapid and efficient development of renewable projects, taking advantage of the already built network, minimizing the cost for consumers and generating positive and immediate effects on industrial activity and employment, by providing legal certainty to the applicable regulatory framework.

Additionally, and in compliance with community regulations, the figure of the independent aggregator is incorporated, which will introduce greater dynamism in the electricity market. This new business model is based on combining the demand of

several electricity consumers or that of several generators for their participation in different market segments.

Likewise, and to promote citizen participation in the ecological transition, renewable energy communities are regulated, which allow citizens and local authorities to be partners in renewable energy projects in their localities.

On the other hand, the Government is empowered to regulate a special authorization procedure for facilities whose main objective is R + D + i, which represent a technological, energy and industrial opportunity in areas such as storage, marine energy or management. networks, among others, that they are a strategic factor for economic momentum, both short and medium term.

In addition, it will be possible to establish regulatory test benches (“sandboxes”) to introduce novelties, exceptions or regulatory safeguards that help facilitate research and innovation in the field of the electricity sector. This favors a more agile development of the regulation of the energy sector based on the prior testing of regulations on new technologies or solutions.

HIGH CAPACITY RECHARGE POINTS, PUBLIC UTILITY

In order to facilitate the expansion of the electric vehicle, the Royal Decree-Law grants the declaration of public utility to the electrical infrastructures associated with the high capacity recharging points (with power exceeding 250 kW), essential to allow them to be opened ultra-fast charging stations on roads, highways and freeways, increasing the possibilities of electric mobility.

Likewise, the regulation extends the validity of the National Energy Efficiency Fund until 2030 and improves the procedure for calculating obligations. This fund, which is endowed with annual quotas from gas, electricity and petroleum products trading companies, has enabled the mobilization of more than 1,000 million euros in aid in the last five years to invest in energy saving measures. Exceptionally, and in view of the situation created by COVID19, the marketers that are small and medium companies (SMEs) delay the payment of the obligations with the fund corresponding to 2020, favoring the recovery of their liquidity.

SYSTEM LIQUIDITY

With the aim of mitigating the effects of the health crisis caused by the coronavirus and ensuring the liquidity of the electricity system in the short term, the use of the surplus of revenues is enabled to cover the eventual mismatches and deviations between revenues and costs of the system of 2019 and 2020. It will be specified by ministerial order.

This allows the set of "liquidation subjects", that is, the operators of the transmission and distribution networks, including the more than 300 small distributors operating in the country, as well as the more than 60,000 renewable, cogeneration facilities and waste, can perceive a significant part of the remuneration corresponding to the 2019 financial year. This is a measure that provides liquidity to these subjects, allowing them to maintain their activity and facilitating new investments in the industrial field, digitization of networks and the development of renewables, essential at this time of economic recovery.

In addition, the Royal Decree-Law exceptionally adjusts the percentages of Gross Domestic Product (GDP) that govern the maximum investment dedicated to transport and distribution networks in the triennium 2020-2022. In this way, it will be possible to maintain the investment rate originally planned, before the COVID-19 crisis, and undertake the necessary actions for the integration of the new renewable generation.

SUPPORT FOR COGENERATION, OIL SLUDGE AND BIOMASS

In the case of installations covered by the specific remuneration regime whose operating costs depend essentially on the price of fuel. This includes cogeneration facilities, slurry treatment facilities, oil sludge treatment facilities and biomass. I know establishes the revision of the value of the remuneration to the operation, which will be applied during the period of validity of the state of alarm, to recognize the effects of lower market prices and CO₂, thus mitigating the impact of the crisis has had on its operating conditions. With this, support is provided especially to the industrial and agricultural sector, which use this type of technology.

Specifically, for the calculation of the aforementioned review, the values of the electricity market price and the price of CO₂ emission rights are considered during the state of alarm. Additionally, the values of the number of equivalent hours of minimum operation and the operating threshold applicable to the year 2020, with respect to the previously established values.

FAIR TRANSITION

To facilitate the governance and correct implementation of the Just Transition Strategy of the Government of Spain, which will allow the deployment and financing of projects that guarantee employment and economic activity in areas in energy transition, the Institute of Just Transition has been created, from the previous Institute for the Restructuring of Coal Mining and Alternative Development of Mining Counties. This Royal Decree-Law defines the purpose of this institute: to identify and adopt measures that guarantee workers and territories affected by the transition to a greener, low-carbon economy, a equitable and solidary treatment, minimizing the negative impacts on employment and depopulation of these territories.

The ability to evacuate the nodes left by the closed coal power plants is an important asset for job creation and new industrial projects in transition areas. The Royal Decree-law 17/2019 made it possible for the Government to regulate procedures and establish requirements for the granting of all or part of said capacity that weigh, in addition to technical and economic issues, the potential environmental benefits and social. In order to design and convene these procedures as soon as possible, the General Directorate for Energy Policy and Mines of MITECO is empowered to request the system operator to calculate the maximum available capacity in each of these nodes.

AGILITY AND LEGAL SECURITY OF THE ENVIRONMENTAL REGULATION

La norma también modifica la Ley de Evaluación Ambiental para dotarla de mayor agilidad y seguridad jurídica, garantizando la protección del medio ambiente, facilitando la tramitación de proyectos que permitan la reactivación de la economía tras la crisis que ha provocado la pandemia de la COVID-19.

En este sentido, se regula la prórroga de vigencia de las declaraciones de impacto, evitando así el vacío jurídico existente, se agiliza el procedimiento para la determinación del alcance del estudio de impacto ambiental y se completan determinados aspectos del procedimiento de evaluación ambiental simplificada.