

Clouds gather over Spain's renewables sector as aid cut

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Torresol Energy Gemasolar thermasolar plant, pictured in Fuentes de Andalucía, near Sevilla, southern Spain. Spain's push to become a world leader in renewable energy risks collapsing because the government has slammed the brakes on generous subsidies as part of an austerity drive.

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Prime Minister Mariano Rajoy's [government](#) passed a decree on Friday to "temporarily suspend" [subsidies](#) for all new wind, solar, co-generation or [waste incineration](#) plants as it seeks to curb the public deficit.

The measure will save at least 160 million euros (\$210 million) this year, for which the government has received subsidy requests for projects to

install 500 megawatts of new capacity, Industry Minister Jose Manuel Soria said.

But industry leaders say the halt to the subsidies, combined with uncertainty over how long the suspension will last, will deflate investor interest in what was once one of Spain's most dynamic sectors.

"This decision is one of the biggest blows ever to the sector," said the head of lobby group Fundacion Renovables, Javier Brea.

"Who is going to invest in the renewable energy sector after this decree?"

The subsidies introduced by the previous Socialist government, which pushed renewable energy as a new source of economic growth and jobs, fueled the development of wind parks and [solar power](#) stations across the country.

In 2008 Spain accounted for half the world's new solar power installations in terms of wattage thanks to the subsidies designed to help get the young sector up and running.

The boom in renewables helped several Spanish firms to become global leaders in the sector.



Wind turbines are pictured in La Veleta wind park, in Monasterio de Rodillo, near Burgos. Spain's push to become a world leader in renewable energy risks collapsing because the government has slammed the brakes on generous subsidies as part of an austerity drive.

Power giant Iberdrola is the world's biggest producer of clean energy while Gamesa is one of the world's top wind turbine makers.

But the previous Socialist government started scaling back the subsidies at the end of 2008 as the [global economic crisis](#) began to bite and Spain entered into recession. For [wind power](#) they were slashed by 35 percent until 2013.

From 2008-2010 the sector shed 20,000 jobs largely because of the previous government's subsidy cuts, and the end of new subsidies announced Friday will likely lead to the loss of a similar number of jobs this year, said Breva.

"But what worries me more are the hundreds of thousands of jobs which would be generated and which now will not be," he said, adding that the previous government had predicted the sector would generate 300,000

jobs by 2020.

Renewable energy sources like wind and solar power can not yet compete on price against electricity generated from coal or natural sources, so government subsidies play a crucial role in their development.

The Spanish wind power sector grew at its slowest rate last year because of the subsidy reform.

The country had 21,673 megawatts of wind power capacity at the end of 2010, an increase of just 1,050 megawatts or 5.1 percent over the previous year, the Spanish Wind Power Association said Tuesday.

Jose Antonio Gonzalez, the head of FENIE, a lobby group that represents electrical power installation firms, said: "There are many companies that are not going to be able to make it until the end of the year" because of the end to new subsidies.

"We are pioneers, we have good know-how. We have to create jobs in Spain but this way we are not going to be able to do it," he added.

The loss of jobs in the clean energy sector would add to Spain's already dire unemployment situation.

The country's jobless rate soared to just under 23 percent at the end of last year, the highest in the industrialised world, in the wake of the collapse of a property boom.

Environmentalists worry that the cuts to subsidies will increase Spain's reliance on fossil fuels.

"Spain can't afford the luxury of taking a step backwards. This is one of

the few fields where we are world leaders," said Carlos Bravo of the Spanish branch of Greenpeace.

The government says the cuts will not affect Spain's contribution to reaching European [renewable energy](#) targets. The European Union aims to have 20 percent of its total energy use covered by renewable sources from 2020.

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