

Spanish downturn a disaster for green energy

June 23 2013, byKatell Abiven



Wind turbines are seen off the coast of Barbate, southern Spain on August 30, 2006. Spain's wind turbine manufacturers are laying off workers and farmers who installed solar panels are facing ruin as austerity policies afflict the long-coddled green energy sector.

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Further cuts are expected this summer.

State subsidies to clean energy producers have already fallen by between 12 and 40 percent on average in recent years, [industry analysts](#) say.

They could fall by another 10-20 percent in a new energy sector reform expected mid-July, according to the Spanish media.

"The punishment meted out to renewable energies in the past five years amounts to more than six billion euros (\$8 billion)," said Sergio Otto, secretary general of the business group Renewables Foundation.

"In the wind turbine industry alone we have lost 20,000 jobs and in the solar energy sector it's probably more," he said.

At the heart of the problem is a deficit of more than 26 billion euros in Spain's [energy market](#), built up by subsidies to cover the gap between the cost of producing electricity and the price charged to consumers.

"We are still singling out renewable energies as the main guilty parties for this deficit," Otto complained.

In the middle of the last decade when the economy was enjoying strong growth, Spain put a cap on the price of green energies and provided "fairly generous" subsidies, said Carlos Garcia Suarez, expert in the sector at the IE Business School.

The state aid boosted the appetite of investors and led to a "boom" in wind and, later, solar energies, making Spain a world leader in the industry, Suarez said.

"Not only have the subsidies come down but new projects have been explicitly banned, which is pretty unusual," he said.

The retroactive nature of some cuts even threw into question Spain's

reliability for investors, Suarez said.

Indeed, several investment funds that bet on the sector are now taking Spain to international arbitration.

There is "political pressure", too, from the United States where some of the funds are based and the Spanish government is uncertain how to resolve the matter, he said.

"We gave excessive subsidies," said Rodrigo Izurzun, energy specialist at Ecologists in Action, an association which also criticised the radical change in policy since the economic crisis hit Spain in 2008.

"The current policy is harmful because the sector was maturing and close to becoming competitive without any aid but has suddenly totally collapsed," Izurzun said.

"That is without mentioning what the impact is in terms of braking the fight against climate change."

Investors in [wind turbines](#) no longer believe the outlook is attractive, said Heikki Willstedt Mesa, director of energy policy at the wind turbine association AEE.

"We have sued in the Spanish courts," said Miguel Angel Martinez-Aroca, president of Anpier, which groups Spanish solar energy producers. The sector is "barely surviving after so many cuts", he said.

His association has launched a campaign to highlight the unknown victims of the new austerity regime: people who put their savings into [solar panels](#) counting on the subsidies to make them profitable and, for example, to help finance their retirement.

"There are 55,000 individuals, small savers, many farmers and breeders, professionals, families and small businesses who simply believed what the state told them, which was to invest in solar energy," Martinez-Aroca said.

"Then we were ruined," he said, denouncing a "swindle and deception by the state" which lowered payments for such panels by 40 percent.

The consequences are far reaching.

"The [solar energy](#) sector's debt to banks with is now 20 billion euros," Martinez-Aroca said.

Spain's banks are hardly in a state to withstand the blow; they have already had to take more than 41 billion euros from a European credit line to recapitalise balance sheets laden with bad loans since a 2008 property market crash.

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