



Renewables in the post- COVID-19 recovery package of Spain



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THIS ANALYSIS IS PART OF A [COMPILATION OF RECOVERY PACKAGE ANALYSES](#) AND AIMS AT EXPLORING THE ROLE OF RENEWABLES IN POST-COVID19 RECOVERY SCHEMES. AS A SERIES, THIS RESEARCH IS CONDUCTED CONTINUOUSLY AND WILL BE ADDED TO, ONCE INFORMATION IS AVAILABLE.

“The world has changed, and we have to accelerate the transformation of our country.”

—Pedro Sánchez, Prime Minister of Spain

Introduction

Spain is among the countries worst hit by the COVID-19 pandemic. In 2020, the country recorded close to 1.9 million cases and 51,000 deaths from the virus.¹ As with other countries, Spain’s economy has been hit hard by the health crisis. However, the country’s economic woes preceded the COVID-19 outbreak. As one of the most vulnerable economies in the Eurozone, there has been long-term concern over Spain’s persistently high rates of unemployment and high levels of public debt (and doubt over the country’s ability to service it).

The Recovery, Resilience and Transformation Plan

On 7 October 2020, the Spanish government unveiled a EUR 72 billion stimulus plan to help the economy rebound from the effects of the coronavirus.² The recovery programme (*El Plan de Recuperación, Transformación y Resiliencia de la Economía Española*) will spend the amount between 2021 and 2023 and is estimated to give the economy a fiscal jolt that is supposed to boost GDP by an additional 2.5% and create 800,000 jobs.³

Around 80% of the funds will come from the European Union recovery fund and the rest from another of the bloc’s financing vehicles. Spain is the second-biggest recipient of EU recovery funds.⁴

The Plan is explicitly aligned with the European Green Deal, as well as the Sustainable Development Goals. Acknowledging the opportunity to integrate sustainability into economic recovery plans in the wake of the COVID-19 pandemic, Spain’s Prime Minister Pedro Sánchez noted during the release of the plan that “the world has changed, and we have to accelerate the transformation of our country.”

To that end, the package includes a commitment to make the economy greener and more digital. According to the government, 37% of the recovery package is dedicated to achieving an “ecological transition.”⁵

¹ <https://covid19.who.int/region/euro/country/es>

² <https://www.lamoncloa.gob.es/multimedia/galeriasfotograficas/presidente/Paginas/2020/041220-galeriacomillas.aspx>

³ Ibid.

⁴ In July 2020, Spain reached an agreement with the EU to receive EUR 140 billion from the EUR 750 billion recovery fund that the EU erected in response to the COVID-19 crisis. Of that amount, EUR 72.7 billion will be in grants, while the rest will be in the form of repayable loans. The total amount is for 2021-2026 and is equivalent to 11.2% of Spain’s GDP in 2019.

⁵ See here for a useful breakdown of the allocation of funds: <https://www.iddri.org/en/publications-and-events/blog-post/spains-recovery-resilience-and-transformation-plan-key-challenges>

Key relevant commitments in the package include:

- The restatement of the goal to achieve a 100% renewable energy system by 2050;
- The deployment of at least 250,000 electric vehicles by 2023, as an interim milestone to achieve 5 million electric vehicles by 2030;
- The creation of at least 100,000 vehicle re-charging points across the country;
- The renovation of over half a million homes over the next three years to make them more energy-efficient.

The role of renewables

After taking office on 13 January 2020, the newly-elected Sánchez government declared on 21 January a “state of climate and environmental emergency” and pledged to unveil a draft bill within the first 100 days in office on transitioning to renewable energy and reduce greenhouse gas emissions with the objective of reaching climate neutrality by 2050.⁶ The government made it clear that climate change and a just energy transition is the cornerstone for all governmental departments and action.

Due to the COVID-19 crisis, those plans were put on hold. However, in April 2020, Teresa Ribera, as the minister responsible for climate and environmental issues, signed up to the European Alliance for a Green Recovery,⁷ and that same month, the Spanish government announced its new Climate and Energy Plan (*El Plan Nacional Integral de Energía y Clima*), which aims to reactivate the country’s economy and achieve deep decarbonisation.

The Plan foresees the mobilisation of investments of EUR 241 billion (of which 80% is expected to come from the private sector) for the deployment of renewables, increasing energy efficiency and electrifying networks, and is projected to

Key renewables and green recovery policies

The Recovery, Resilience and Transformation Plan

October 2020 | A EUR 72 billion stimulus plan that sets 37% of funds aside for the “ecological transition”.

The National Climate and Energy Plan

April 2020 | Foresees EUR 241 billion of investments and the creation of up 350,000 jobs in the period 2021—2030.

Royal Decree Law 23/2020

June 2020 | Sets guidelines for the renewable energy sector in the coming years on, *inter alia*, procedures for access and connection permits and new systems of auctions.

Climate Change and Energy Transition Law

November 2020 | Sets specific objectives and milestones to achieve climate neutrality by no later than 2050.

⁶ <https://www.dw.com/es/espa%C3%B1a-declara-emergencia-clim%C3%A1tica-y-ambiental/a-52090189#:~:text=El%20Gobierno%20espa%C3%B1ol%20ha%20declarado,para%20la%20neutralidad%20clim%C3%A1tica%20en>

⁷ <http://www.politico.eu/wp-content/uploads/2020/04/Press-Release-European-Alliance-for-a-Green-Recovery-Pascal-Canfin.pdf>

create between 250,000 and 350,000 jobs in the period 2021—2030.⁸

To that end, the Plan created a EUR 316 million financing package for renewables. The Spanish Ministry for the Ecological Transition and the Demographic Challenge (MITECO) allocates these funds to specific projects through the Institute for the Diversification and Saving of Energy (IDEA). Decisions on which projects receive the funds will take into account demographic challenges and the welfare of workers in regions affected by the shift to renewable energy.

The Plan also calls for 5 million electric vehicles to be in circulation by 2030, and interim targets of 100,000 recharging stations and 250,000 electric vehicles by 2023.⁹

In an important move to spend the EUR 316 million financing package, on 10 September 2020, the Spanish Energy and Environment Ministry announced the distribution of EUR 181 million across various renewable energy projects in seven autonomous communities (Andalucía, Asturias, Castilla-La Mancha, Cataluña, Extremadura, Madrid, and Murcia). EUR 80 million will be directed toward renewable electricity production (construction of solar, wind, biomass, gas, and green hydrogen projects) and EUR 101 million toward the use of thermal energy (geothermal, aerothermal, and renewable gas projects) (see the table next page).

The Institute for the Diversification and Saving of Energy (IDEA), which is tasked with allocating the funds, estimates that total renewable electricity and thermal energy capacity will rise by 344 MW and 483 MW, respectively.

The Ministry calculated that the funds should encourage a further investment of EUR 551 million from the private sector and cut greenhouse gas emissions by 712,000 tonnes of carbon dioxide equivalent each year.

On 23 September 2020, MITECO released a further EUR 24 million to be allocated by IDEA for projects in five additional regions (Aragon, Cantabria, the Valencian Community, La Rioja, and Melilla).¹⁰

In October and November 2020, a further EUR 20.4 million was made available by MITECO for renewables projects in Galicia, with the sum divided over solar PV (EUR 9 million), thermal energy (EUR 8 million), wind energy (EUR 2 million), agro-industrial/industrial biogas (EUR

Source	Allocated (€ millions)
Solar	65.7
Solar Thermal	30.9
Biomass	35.7
Renewable Gases	22
Geothermal & Hydrothermal	13
Aerothermal	5.7
Hydraulics	4.1
Wind	2.8
Heat Networks	0.75
Total	181

⁸ <https://elpais.com/economia/2020-04-01/el-gobierno-lanza-el-nuevo-plan-de-energia-como-palanca-para-la-recuperacion.html>

⁹ http://www.ansamed.info/ansamed/en/news/sections/environment/2020/12/31/spain-calls-for-bids-to-increase-electric-mobility_b9cdd769-a184-4cc5-aa81-03a36a3b9a81.html

¹⁰ <https://elperiodicodelaenergia.com/el-gobierno-autoriza-ayudas-por-12-millones-para-financiar-proyectos-renovables-innovadores-en-galicia/>

500,000) and biomass (EUR 500,000).¹¹ These projects are expected to add around 61,69 MW (33,16 MW from thermal energy projects; 28,53 MW from other renewables projects).¹²

IDAE will continue to work with these regions until it exhausts all of the EUR 316 million package. The institute is also working as the implementing agency for MITECO's SolBal (solar power for the Balearic Islands), SolCan (solar power for the Canary Islands), and EolCan (wind power on the Canary Islands) programmes.¹³

In June 2020, Spain's government signed into law a raft of measures designed to remove barriers to the large-scale deployment of renewables.¹⁴ Royal Decree-Law 23/2020 is designed to minimise speculation in the country's renewable energy projects, clarify administrative procedures for access and connection and introduce a new auction mechanism to provide renewables with a predictable and stable route to market. The law also introduced new business models covering areas such as storage and hybrid projects, promotes energy efficiency measures, and sets out a range of measures to boost economic activity and employment in the wake of the COVID-19 crisis.¹⁵

Another important piece of legislation the Spanish government has introduced is the Climate Change and Energy Transition Law (*Ley de Cambio Climático y Transición Energética*), which re-states the goal for the country to achieve climate-neutrality by no later than 2050.¹⁶ Adopted by the Spanish Parliament on 3 November 2020, the bill builds upon the National Climate and Energy Plan and sets several key objectives and targets to transition towards a new, greener, more sustainable economy while helping Spain recover from the economic devastation caused by the COVID-19 crisis. These include:

- Restating the goal of curbing carbon emissions to net-zero by 2050;
- A 35% target of renewables share in overall energy use by 2030 and a 70% sub-target for the use of renewables in electricity generation;
- A requirement for energy efficiency measures to reduce primary energy consumption by at least 35%;
- The establishment of a new remuneration framework for renewable energy generation, based on the long-term recognition of a fixed price for energy;
- A ban on new fossil fuel exploration and on fracking within all Spanish jurisdiction;
- A restriction on fiscal benefits to energy products from fossil fuels, which shall only be allowed if duly justified for social or economic reasons or for lack of alternatives;
- The establishment of low-emission zones in municipalities with more than 50,000 inhabitants by 2023;

¹¹ Ibid.

¹² Ibid.; <https://www.eseficiencia.es/2020/10/29/idae-destina-mas-8-millones-generacion-energia-termica-renovable-galicia>

¹³ <http://taiyangnews.info/markets/spanish-govt-to-back-150-mw-solar-in-canary-islands/>

¹⁴ <https://www.boe.es/eli/es/rdl/2020/06/23/23/con>

¹⁵ <https://www.cliffordchance.com/content/dam/cliffordchance/briefings/2020/06/This-what-the-future-of-renewables-looks-like.pdf>

¹⁶ https://www.miteco.gob.es/es/prensa/proyectedeydecambioclimaticoytransicionenergetica_tcm30-509256.pdf

- The requirement for all petrol stations to install charging ports and for municipalities to develop urban mobility legislation that promotes EV charging points and the use of public transport and bicycles;
- The requirement for new vehicles and state-owned ports to be carbon neutral by 2040, and only emission-neutral vehicles allowed on Spanish roads by 2050.

The objectives of the Climate Change and Energy Transition Law will be implemented through the successive Climate and Energy Plans that are expected to be re-established every ten years.

Finally, an initiative worth mentioning is the Positive Energy Call (*Call Energía Positiva*), which is an investment scheme set up by a coalition of companies to financially support startups that have innovative projects in the fields of environmental sustainability, mobility, social impact, and digitalization, and that can contribute to mitigating the economic and social effects of COVID-19 in Spain.¹⁷ Through the initiative, twelve projects were chosen, with each receiving up to €3m in funding, as well as support for financing, ordering, training, and testing to help develop their products. The selected companies include floating wind platform supplier Nautilus Floating Solutions, and Solatom, which makes solar systems generating steam for industry. Other beneficiaries include BatteryCare and Hybrid Energy Storage Solutions.¹⁸

Renewables in Spain: 2020

In 2020, Spain produced 43.6% of its electricity with renewable energy technologies, the highest ever proportion of renewables in the country's power mix.

Conversely, coal-fired plants accounted for only 2% of electricity generation, the lowest it's ever been. Spain added 2,706 MW of new wind and solar capacity and disconnected 3,486 MW of polluting power plants, mainly coal-burning units, in 2020.

Today, Spain's total installed generation capacity stands at 109,674 MW, with renewables accounting for 53% of the total.

(Source: *RenewablesNow*)

Conclusion

Spain has been hit hard by the COVID-19 pandemic, both in terms of the effect of the virus on public health and the devastating consequences to the country's already vulnerable economy. In response, the current government has set out a range of policy responses to reboot the economy, as well as signalled its commitment to ensure that this recovery is underpinned by advancing climate action and achieving a just energy transition.

Building on Spain's position as a leader in renewable energy deployment (especially when it comes to wind and solar PV)¹⁹, the government has steadily distributed funding for renewable power

¹⁷ <https://en.callenergiapositiva.com/>

¹⁸ <https://themachinemarket.com/fr/spanish-covid-19-recovery-investment-scheme-funds-12-energy-start-ups/>

¹⁹ It should be noted that Spain's successful track-record in deploying renewables has also raised concerns over overcapacity in the energy system, which brings downward pressure on wholesale power prices and can thereby distort competitiveness of the market, and can hinder further penetration of renewables in the system.

generation projects in the second half of 2020, after the initial coronavirus state of emergency that dominated the first half of 2020 subsided. These finance mechanisms have been bolstered by policy-frameworks that offer certainty and ambitious long-term commitments.

However, these plans would not be possible without EU support—Spain is one of the largest recipients of EU recovery financing. And there is some concern over the country’s ability to efficiently and effectively spend the large stimulus financial package in a short period of time because of possible administrative snags and political conflicts. Moreover, with the end of the COVID-19 crisis not yet in sight, it is unclear what further economic harm the pandemic might wreak upon Spain’s economy and how this, in turn, could jeopardise the roll-out of the green agenda, as well as exacerbate political polarisation.

Engaging the private sector is crucial to unleashing the full potential of Spain’s green recovery and there is thus a need for effective and constructive collaboration between public institutions and businesses, which includes ensuring that private actors are fully aware of what access exists to project finance mechanisms.

Finally, there is also some concern over Spain’s ability to deliver on some of its ambitious climate and energy targets, such as reaching five million electric vehicles by 2030 and the related necessary charging infrastructure.