



## INVESTING IN GREEN ENERGY SPOTLIGHT ON... SPAIN

Following our Investing in Green Energy: Spotlight on Spain event on Wednesday 30 November, please find an overview of what was covered below. For reference, here is the [agenda](#) for the event, and [speaker details](#) if you would like to discuss the topic further.

With thanks to [Suki Rees](#), Senior Associate, for preparing this overview.

### Current investment climate and opportunities for the future

[María Pilar García Guijarro](#)

- Coming to the end of 2022, which was one in a run of 'hot years' for the Spanish M&A market, María Pilar reflected on the trends WFW has seen
- The transaction landscape was diverse in a number of ways:
  - Risk levels – recognising the different appetites of market participants
  - Buyers and sellers of different kinds – including utilities on both sides
- Reasons for the high volumes of transactions
  - High liquidity in a mature market
  - Spain's recent regulatory changes keeping it at the 'cutting edge' – is leading by example, with the EU regulator adopting changes pioneered by the Spanish market
  - High solar and onshore wind resource
- Projects at all development stages coming through the market
  - Brownfield – stable, low risk assets that have been sold multiple times. Reduced numbers due to the maturity of the market but a steady stream, supported by developments in the availability of SPA representation and warranty indemnity policies
  - Greenfield – various stages of development encompassed. Estimated 140-150 GW are under development currently, but only 60-70 GW thereof have connection access. Connection access is key – especially in light of new regulations restricting the connection to land within 10km of the connection point. Risk allocation between the developers and investors dependent on the stage of development
  - Ready to Build – fully permitted
- Assets include the well-established solar and onshore wind, as well as looking forward to battery, hydrogen and EV whose regulatory frameworks are being developed
- Looking forward, a sustained high level of activity is expected – particularly following the minor slow down seen earlier this year due to worldwide electricity pricing uncertainty – deal turnover is already reactivating

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## Key regulatory developments and upcoming auctions

[David Diez](#)

- Spain is no stranger to regulatory changes – there are two recent and notable examples
- Mid 2020
  - A regulation (Royal Decree-Law 23/2020, see related WFW article [here](#)) was introduced that obliged developers that had access to connection point to apply for authorisation / environmental assessment of their projects – with the aim to eliminate instances of connection points being 'blocked' by developers who had no immediate places to utilise that capacity
  - Unfortunately, Administrations were not sized to process such a large number of projects simultaneously, which caused problems with processing all the applications received in the timelines anticipated
  - Projects that have not received positive assessment results by the prescribed deadline will not be able to proceed (regardless of whether they applied in good time) and such capacity will be made available to the market via capacity auctions
  - How this will work in practice due to the delays remains to be seen
- September 2021
  - Review on electricity pricing in the wholesale market was followed by the introduction of a windfall profit tax
  - This will be in place until the end of 2023 at least, when an EU equivalent will take over (an example of the EU following the Spanish model – despite it being initially criticised)
  - It is thought to encourage a higher volume of generators selling electricity at a lower price but may not operate to bring the price down overall – there has been a lot of commentary on this change
- A further area of regulatory 'bottleneck' to be cleared in the near future is in relation to offshore wind. A public consultation should commence shortly, marking the beginning of the next stage of the framework for this technology in Spain

## Trends in debt financings of renewable energy

[Rodrigo Berasategui](#) and [José María Anarte](#)

- The combination of unusual factors – within Spain, as well as macro-economically and as a result of the pandemic has created a fast-evolving market which is difficult to forecast
- What is clear is that liquidity is high and there is a huge appetite for financing (and no shortage of projects – notwithstanding the regulatory changes described above)
- An overview of the evolution of different trends may help us look forward – the Madrid team have carried out an overview of around 50 transactions in the past few years – the main takeaways were as follows:
  - PV was the lead technology – over 70% of the transactions
  - Over half had a PPA in place (but only 3 were pure merchant transactions). PPAs were 50/50 split between English and Spanish law
  - Greenfield was the majority in terms of development type
- Looking forward at what we can be certain about:
  - Proven track record in a technology is key – extending to repowering of existing assets
  - New and flexible financial structures will be required as the way PPAs are used changed – despite the move towards merchant, not all lenders are willing to take the risk
  - Certainty provided by the Spanish regulatory framework will encourage growth
  - Legal contracting perspective – Spanish market is international and sophisticated meaning activity is likely to continue
- Rodrigo and José María think the following look likely:
  - Shorter-term financings may be more popular, with parties hoping to secure better longer-term arrangements in the future once circumstances are more certain
  - New technologies will become more mainstream – legislation and environmental work required is in progress