



FISCAL REFORM IN ORDER TO ENSURE THE SUSTAINABILITY OF THE ENERGY SYSTEM

- On September 14th, the Spanish Government sent to the Parliament a **draft proposal on Energy Taxation to fight the problem of the “tariff deficit”** and put the Spanish energy system back into an economically sustainable path.
- With this important environmental fiscal reform, the Government undertakes **decisive action to permanently fix the economic imbalances that in the past created uncertainties over the stability of the Spanish electricity system** and **establishes clear incentives for future low carbon investment in the Spanish energy sector, thus restoring long term investor certainty and visibility.**

The solution to the problem of the electricity system **requires the adoption of a number of measures, which will ensure the sustainability of the system.** It will imply a fair burden-sharing between power generators (both conventional and renewable producers), consumers and the public sector.

SINCE THE BEGINNING OF 2012, THE GOVERNMENT HAS TAKEN IMPORTANT STEPS TO ADDRESS KEY ASPECTS OF THE PROBLEM:

- Excess generation capacity in the system, recommended to make a halt on the growth of renewable subsidies and the *Royal Decree-Law 1/2012* suspended temporarily all new renewable capacity registration.
- *Royal Decree-Law 13/2012* reduced system costs up to 1,091 m€ (in transport and distribution of electric power, in capacity payments, in coal subsidies, in system operation and payments to interruptible customers) while increased system revenues in 673 m€ (from IDAE and CNE budget surpluses).
- *Increase in electricity bills* as from 1 April 2012 to all customers of 5,1% on average resulting in a revenue increase for the system of 1,380 m€. In particular, by Ministerial Order IET/843/2012 electricity tariffs increased by:
 - Households/residential (TUR): 7.0%
 - Large residential and SMEs: 4.1%
 - Medium sized industrial: 2.8%
 - Large sized industrial: 0.9%
- Further system cost reductions of 150 m€ in 2012 (in transport and in the extracost of supplying small and isolated systems outside the peninsula) and revenue increase for 2013 (from regional taxes and additional access charges for higher consumption levels) by *Royal Decree-Law 20/2012* which will contribute to deficit reduction in 2013 by 630 M €.



THE RECENT ANNOUNCED FISCAL REFORM PROPOSES THE FOLLOWING MEASURES:

- Tax on nuclear waste (10% of revenues).
- Levy on hydro generation (22% of revenues).
- Carbon tax on fossil fuels:
 - Natural gas (2.79 cent€/m³).
 - Coal for power generation (14.97 €/ton).
 - Fuel for power generation (12.00 €/ton).
 - Diesel for power generation (29.15 €/1000l).
 - **Tax on electricity production, with a single tax rate (6%) on all power generation regardless whether it is produced under the so-called Ordinary (conventional plants) or Special Regime (renewable and CHP power plants).**