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Spain slashes solar energy subsidies



Solar panels produce about 3 percent of Spain's energy

As German alternative energy firms lament Berlin's decision to continue using nuclear power, Spain is planning to cut solar subsidies. Critics say Madrid is strangling investment in renewables - and the wider economy.

About five years ago, Spanish farmers realized they could make more money harvesting the sun than they could planting crops. On the dusty plains of Castilla y Leon, for instance, fields of sunflowers gave way to solar panels.



Climate activists have put their own form of pressure on Spain's government

That growth was spurred by alternative electricity subsidies that are now endangered. Industry Minister Miguel Sebastian has announced subsidies for new, ground-based solar parks will be cut by 45 percent. State support for rooftop installations will fall by 25 percent, while smaller installations will see cuts of 5 percent.

Eduardo Collado, technical director at the Photovoltaic Industry Association (ASIF), described the plan as short-sighted. By 2020, renewable energy could be less expensive than conventional and nuclear power, which still enjoys annual subsidies worth billions of euros, he said.

"It's very bad news," he told Deutsche Welle. "(Spanish leaders) are in a deep crisis, so they have to save money where they can, but they are not taking account of the investments that are the future of Spain's energy industry. It isn't spending, it's investment. You have to look 10 or 15 years ahead... If the price of oil goes up, the cost of renewables will be nothing in comparison."

Sector not self-sufficient

Spain's government says the cuts reflect improved efficiency in solar technologies, but the sector is not competitive yet. It contributed 1.2 billion euros towards country's GDP in 2008 and collected 3 billion euros worth of subsidies.

However, the solar sector is innovative and dynamic, and in a matter of years has grown rapidly to account for 3 percent of Spain's energy



When resources become scarce, solar energy will be invaluable, advocates say

production. With news of the cuts, anger and frustration has echoed across its trade associations.

Carlos Navarro, the founder of Siliken, a solar panel manufacturer that employs 1,000 people, said the subsidy rollback is the latest in a long line of errors. The looming cuts have put 10 billion euros worth of projects on hold and lines of credit are now nearly impossible to obtain from banks, he said.

"We have always felt that Spain was not so consistent in the program of photovoltaic development," he told Deutsche Welle. "Almost every year we have had changes in the policy and the targets and the volumes."

"The real problem is not the question of the tariff, it's the uncertainty they are constantly sending to the markets – especially the financial institutions – about the security of their investment... the market is completely stopped right now."

Jobs lost

According to ASIF, the lack of clarity over tariffs has led to significant job losses. The sector employed 40,000 people in 2008, when a record-breaking 3,000 megawatts of solar capacity were installed. Now that new investments have ground to a halt, the 2010 workforce consists of just 13,500 workers.



Spain's austerity measures have drawn widespread protest

Many in the industry blame big conventional energy companies for pressuring the government to defend them against competition from renewable energy, which has forced conventional power stations to reduce output.

Carlos Navarro said big energy companies pushed the government towards austerity measures in the photovoltaic sector because its fragmented composition made it an easy target.

"The problem is that the companies are not running the plants as much as they were before," he said. "Demand has been cut 5 percent because of the crisis, so they are making a lot of noise and they are trying to find enemies. Well, photovoltaics is a very good enemy because the portfolio of owners is very spread out. There are no big companies with an interest in photovoltaic energy."

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