

Spain

Energy needs a market without interference

Guest Column

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Energy presents a paradox. Every primary form – petroleum, natural gas, coal, nuclear, and even some renewables – is considered objectionable for one reason or another. Yet, nobody wants the lights or their computer to fail, let alone the local hospital's intensive care unit.

Although energy, water and other essential utilities are considered of general interest, their management is increasingly entrusted to private companies to achieve greater efficiency.

Like telecommunications and other economic services, energy can and should be organised in competitive, regulated markets to ensure transparency and non-discrimination in commercial transactions.

The fact that the energy industry is fundamental to economic development and growth adds urgency. As the oil price reaches ever-new highs, we could experience the economic effects of Spain and Europe's heavy dependence on external energy sources.

The numerous energy challenges faced by the European Union can be met only by first achieving two objectives.

One, to adopt a truly European energy policy to serve as a framework for securing inter-related energy supplies, for improving environmental sustainability, and for promoting internal and external competitiveness.

Two, we must make progress in achieving an energy market, a task that will involve

resolving excessive political interference and imbalances. Spain exemplifies both the attempt to achieve these objectives and the difficulties of doing so.

Battles aimed at gaining control of some of the largest operators have underlined both the advantages of Spain's liberalisation process and some of the most serious contradictions of the EU's and member states' regulations in this area.

These include the lack of equal treatment towards operators from some EU countries, the crossroads between free circulation of capital and merchandise, and the complexity of liberalising without privatising.

The electricity and natural gas industries should continue their restructuring. Furthermore, the electricity market must overcome its deficiencies, especially in terms of solving its tariff deficit, an issue that will otherwise prove detrimental to the market.

The recent and successive accumulation of mismatches between the cost of producing electrical energy, supplied at a flat rate, and the revenue generated by users outside the liberalised market, has put a huge economic burden on the system.

This burden could be borne by future generations and will only increase, given the forecast rise in the price of raw materials for energy production.

The Spanish government must live up to its lawmaking responsibilities and define a new regulatory framework. The tariff deficit can only be solved when the prices users are charged reflect the real cost of generating electricity,



Heated debate: the cooling tower of a Spanish nuclear plant, which could be a vital part of the mix

Alamy

without political restriction.

Market adjustments must also be made to eliminate improper gains because of inadequate dominant positions, technical restrictions or discriminations. Establishing this new

Any technical or political approach we take to deal with these issues aside, the worst-case scenario is one like the present: a situation in which the domestic electricity system has been placed in no-man's land, caught in the crossfire between unlimited markets and outdated protectionism.

Simultaneously, we must work toward a suitable plan for improving and expanding energy infrastructure, especially in terms of Spain's electric and natural gas connections with France – and therefore with the rest of Europe.

It is unacceptable that the EU, starting with the Maastricht Treaty in 1992, has legislated for a trans-European network policy for high-priority projects and that the projects remain uncompleted.

Finally, we must aim for improvements in savings and energy-efficiency, especially through perfecting the system laid out in the plan for 2008-2012 and through ongoing efforts to promote the development of clean energy sources.

Regulatory frameworks for various clean energy sources are being created.

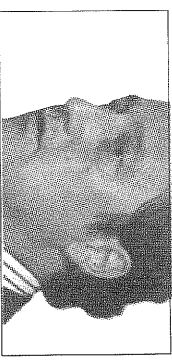
By October, we need a framework in place to ensure the future of the photovoltaic solar energy industry. Likewise, we need measures to govern the wind energy system and biomass energy, both of which may be pillars of our future energy activities.

With these essential tasks before us, Spain must conduct an in-depth and transparent public energy debate between civil society and experts, with involvement of political groups as and when necessary.

In so doing, we must not avoid the nuclear question. In

all probability, nuclear energy will prove essential to Spain's energy mix, especially as some nuclear power plants in Spain are coming to the end of their operating lifetimes. We must follow the lead of Loyola de Palacio, former European Commission vice-president of energy, in continuing this debate.

Ideally, to provide a framework for this debate, we should pass a new Spanish Law on Energy. This law will integrate existing industry-wide laws (for electrical, hydrocarbon and nuclear energy) into a



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single text, as well as include measures on energy saving and efficiency.

It would establish an essential though long-neglected R&D target as well as providing a basis for a profitable energy debate, a debate of which every modern society is in need.

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