

First Large Solar Plants Without Subsidies Seen in Spain: Energy  
2012-12-21 11:04:40.399 GMT

By Marc Roca

Dec. 21 (Bloomberg) -- Solar developers in Spain are trying to build Europe's first large-scale plants to sell electricity at market prices, taking advantage of a crash in equipment costs and some of the continent's highest levels of sunlight.

Builders have sought permits to connect 37.5 gigawatts of utility-sized projects to Red Electrica Corp. SA's transmission grid, company spokeswoman Susana Moreno said. While demand studies show that's far more new generation than the country needs, the first few plants could set a commercial precedent.

The companies include Gestamp Renewables Corp. and Solaria Energia Medio Ambiente SA, which only five years ago could earn about nine times more than fossil-fuel plants under one of the world's most generous subsidy programs. As photovoltaic-panel prices tumbled, the aid was cut several times and altogether killed in January amid criticism in Parliament for adding more than 2.5 billion euros (\$3.3 billion) a year to consumer bills.

"Spain is probably set to have Europe's first utility-scale solar parks without subsidies," according to Jenny Chase, the Zurich-based head of solar energy analysis at Bloomberg New Energy Finance.

Solar-cell prices have plunged about 67 percent in the past two years as Chinese manufacturers led by Suntech Power Holdings Co. ramped up production quicker than demand. The top five makers of traditional silicon-based solar cells expanded output by 55 percent on average last year, according to data compiled by New Energy Finance, an affiliate of Bloomberg News.

### Solar Pioneers

Solar pioneers Spain and Germany have been winding down subsidies in the form of feed-in tariffs, along with the French, U.K., Italian, Czech and Greek governments in the past two years. Japan this year initiated feed-in tariffs, which pay an above-market rate to generators that feed power into grids. Spanish project developers erected more plants than the rest of the world put together in 2007-2008 when prices were at their highest. They've been criticized by utilities that were forced to buy every kilowatt-hour they produced, by consumer groups for bloating bills for homes and businesses, and by analysts for attracting novices and speculators as promoters. Chase said the majority of the newest proposals may not be built.

"We believe most of these applications to be largely

speculative,” she said. “There’s perhaps 1 gigawatt of serious projects under planning, which may get built in 2013-2014 on balance sheet and with short-term power-purchase agreements, if approved by the government.”

### Total Capacity

Such purchase agreements typically bind a utility to buy the power generated for a specified term of years. Spain currently has about 4.2 gigawatts of solar capacity, which produced about 2.7 percent of the country’s electricity last year. It has about 100 gigawatts of total capacity. With peak demand of about 45 gigawatts, new plants could take business from existing installations, such as those burning natural gas. At least six developers have announced plans this year to build 1 megawatt-plus solar plants, able to supply at least 500 homes when running at full power.

The applications are for plants with 150 megawatts to 500 megawatts in capacity. All would be larger than any in Europe, where utility-scale solar parks have so far benefited from state support through long-term tariffs or green certificates, or a tradable voucher that utilities have to buy or earn.

Developers that have announced solar plans this year in Spain include local companies Solaria and Gestamp Renewables, as well as Germany’s Gehrlicher Solar AG, S.A.G. Solarstrom AG and Wuerth Solar GmbH & Co.

### Sunniest Regions

Red Electrica has received grid-connection applications for more than 160 large-scale solar projects, mainly in Extremadura, Andalucia and Murcia, the sunniest regions in the south. Solaria and Solarstrom plan to start building as early as the second half of next year, subject to securing financing and power-purchase agreements.

The biggest hurdle they face is to get the government of Prime Minister Mariano Rajoy to restart the planning process for new solar generation, said Eduardo Collado, director of operations at lobby group Union Espanola Fotovoltaica. Rajoy ordered the end of subsidies for new projects 10 months ago. “None will go ahead until that changes, even though there are a few plants definitely needed at points in the system where the network operator wants them,” Collado said in an interview. The group represents about 330 companies.

### Planned Projects

Solaria plans to build a 150-megawatt solar park near

Toledo for less than 150 million euros and sell the electricity for 55 euros to 60 euros a megawatt-hour, according to Carrasco. Solarstrom seeks to develop a 165-megawatt project in Extremadura along with local partners. The regional governments of Extremadura and Murcia have announced their support for the solar projects in their areas.

“We can be the first to develop a project without subsidies,” David Carrasco, Solaria’s marketing and sales director, said in an interview in June. “We will build it in the second half of 2013 because we think the cost of photovoltaic will have dropped enough by then and, given the irradiation in Spain, will be totally competitive.”

Utility-scale solar projects in Spain will face overcapacity in the electricity market, according to New Energy Finance’s Chase.

“We fear the economics may not work long-term, even if supported by current electricity pool prices, because large amounts of solar in the Spanish grid would depress daytime power prices,” she said.

For Related News and Information:

Today’s top environment stories: [GREEN <GO>](#)

Most-read solar news: [MNI SOLAR <GO>](#)

Renewable-energy markets menu: [RENE <GO>](#)

--Editors: Amanda Jordan, Todd White

To contact the reporter on this story:

Marc Roca in London at +44-20-3216-4638 or

[mroca6@bloomberg.net](mailto:mroca6@bloomberg.net)

To contact the editor responsible for this story:

Reed Landberg at [+44-20-7330-7862](tel:+44-20-7330-7862) or

[landberg@bloomberg.net](mailto:landberg@bloomberg.net)