

GREENPEACE

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Iberdrola, The Company Enemy of Renewable Energy

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Introduction

The fight against climate change demands a change in the energy model where fossil fuels lose their current prominence and are replaced by other more sustainable energy sources together with a more rational and sustainable energy usage. The new energy sources needed to replace fossil fuels fall under the category of renewable energies. These are now available and are being developed faster than anyone could have forecast, both in technical capacity and in cost reduction.

On the other hand, the 2011 Fukushima nuclear disaster is the most recent and dramatic reminder that nuclear energy, a far cry from being a feasible alternative, is, in reality, a danger of the highest magnitude and must be abandoned with the utmost urgency.

The feasibility of a sustainable energy model, which allows for the urgent substitution of fossil fuels and nuclear energy, has been confirmed by numerous studies, including the Greenpeace report Energy Revolution. In the case of Spain, the Greenpeace study *Energy 3.0*¹ demonstrates that not only **an energy model based on efficiency, intelligence and 100% renewable is viable**, but it also presents substantial benefits for Spain, both from the environmental perspective as well as economic and even territorial advantages.

However, it is not only reports that point to this direction. Reality itself is also progressing along the same line, with more and more countries initiating the transition towards new sustainable energy models.

Over the last decade, Spain has gained great prominence in the development of renewable energies, becoming one of the leading countries in deploying renewables. Nevertheless, in recent years there has been a turnaround in the policies that favoured this leadership, resulting in an important u-turn in their development.

This change in policy has been accompanied by a smear campaign against renewables by the large utilities (UNESA²). This campaign has been significantly led by Iberdrola, one of the largest utilities, that initially united behind the change to the new energy model and whose official message was in favour of renewable technologies over several years. Despite being one of the UNESA utilities with the highest percentage of renewable energy, almost exclusively wind, it is the most publicly critical of renewable energies as a whole, especially solar thermal, and is able to influence government decisions to favour its own position. For some time now it has been lobbying against renewable energies, although it has continued to market their positives, contradicting itself on numerous occasions.

In this report, Greenpeace aims to shed light on the reasons behind this contradiction and highlight **where Iberdrola's main business lies**, as well as showing what interests are hidden behind these attacks on renewables.

The report reveals, through the different chapters, the real reasons why Iberdrola is acting against renewable energies. It verifies what Iberdrola's true business is within the energy sector, the utility's assets, real profits and its ability to influence, both public opinion and the political classes who end up legislating in its favour. It breaks down the set of tailored laws that Iberdrola has managed to achieve thanks to its influence and outlines Greenpeace demands, to both the utility and the Government, so that Spain can, once again, lead the development of renewable energies and pave the way towards an efficient, intelligent and 100% renewable energy model.

The report analyses the period 2005-2012. To elaborate the report Greenpeace has fundamentally employed the information available on the utility's website (www.iberdrola.es) along with its annual reports and press releases. Other essential sources of information used in the report include UNESA, the trade association of which Iberdrola is a member, the National Energy Commission (CNE) and the electricity grid of Spain (REE, Red Eléctrica).

Francisco Camps, presidente de la Generalitat Valenciana en el momento de la fotografía, junto a Ignacio Sánchez Galán, presidente de Iberdrola, juntos durante una de las celebraciones de la Copa América de vela, en julio de 2007. Iberdrola usa todo su poder para influir en políticos y dirigentes, con el fin de lograr que la legislación favorezca sus intereses en energías sucias.



Iberdrola's business: a dirty energy company

1

Iberdrola is the main electric utility in Spain in terms of turnover and has tried to convey its brand image as a great green utility through its intensive communications and marketing strategies. However, its main business lies in fossil fuels burning and nuclear technologies. Despite sending out messages of support for a change in the energy model over a period of time, in reality it maintained its commitment to conventional technologies.

In table 1, in the period studied in this report (2005-2012) in both Spain and abroad, **85.01% of Iberdrola's power generation used conventional technologies³ and only 14.99% used renewables (excluding hydroelectric reservoirs)⁴.**

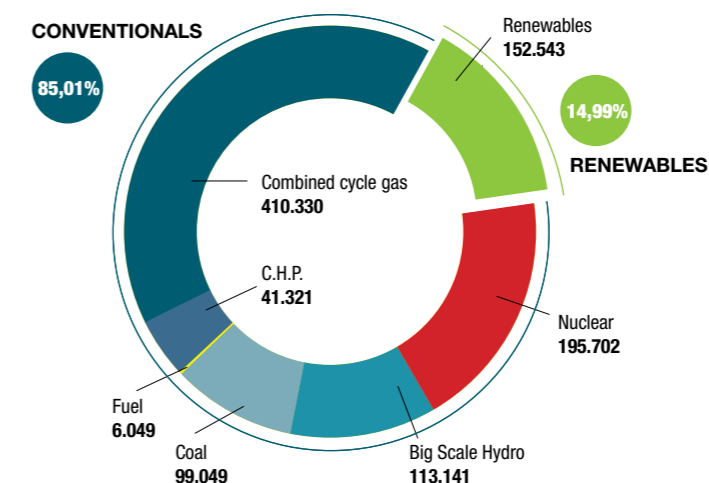
Of the total 1,017,523 GWh generated over these eight years, 40.34% was generated through **combined cycle gas power plants**. That is to say, just through the use of gas-fired power stations, Iberdrola produced **169.32% more energy -with its associated emissions and imported resources- than what it produced with clean and native energies**. The second most utilised energy was nuclear, representing 19.23% of total generation.

Combined renewables only represented 14.99% over this period. Iberdrola has centred its stake for renewables almost exclusively in only one **technology- wind**.

Coal-fired power stations represented 9.7% of total production. It should be highlighted that over the last four years energy generation from these types of power plant has risen by 34% compared to the period 2005-2008. This increase results from the takeover of Scottish Power, which has a high percentage of coal in its mix.

Iberdrola's main interest lies in the gas business. Gas has been one of Iberdrola's biggest ventures in recent years, not just in generation but also in the supply of gas to its 3.5m plus customers, an important facet in the utility's business, accounting for 84,526 Gwh⁵.

Table 1
Iberdrola production by technologies 2005-2012 (In GWh).
Source: Iberdrola annual reports. Drawn up by Iberdrola.



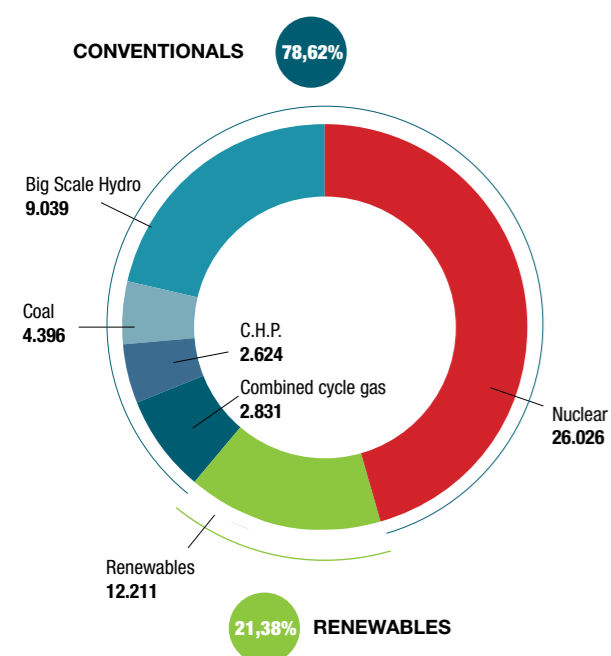
The key to Iberdrola's offensive on renewables

The significant fall in combined cycle gas production is key to explaining the reason behind Iberdrola's intense campaign against renewable energy in Spain.

As shown in table 2, in 2012 conventional technologies accounted for 78.62% of generation compared to 21.38% for renewables. Nuclear energy accounted for 45.55% of total energy production. Iberdrola in Spain is a utility with a large nuclear component. The nuclear business brings the utility great profit that it wants continue. As evidenced the recent request for extension of the operating license that Nuclenor (formed by Endesa and Iberdrola) has called for Garoña nuclear power plant.

Table 2
Production by Iberdrola's generation technologies in Spain in 2012.

Source: Annual Report 2012. Iberdrola. Drawn up by Iberdrola



As shown in table 2, in 2012 combined cycle gas production accounted for 4.9%. There are a significant decline in combined cycle production and a rise in the percentage of renewable production (17.25% in 2011 compared to 21.38% in 2012). At first glance the data could be interpreted to show the utility is opting for a sustainable energy model, committing less and less to gas and backing renewables. However, this recent rise in proportion of renewable generation is not a consequence of an investment policy in these technologies, but rather the result of a spectacular fall in production from its Spanish combined cycle gas power plants.

The reason for this decrease is because in recent years big utilities decided to focus a large part of their business on gas, massively expanding the installation of this technology (27,123⁶ MW in Spain, of which 5,893 MW came from Iberdrola). There was, however, a big planning problem. The combined cycle power plants contribute to the regulation of the system, and they only come on tap when there is a high demand for electricity that cannot be covered by other sources like renewables. This massive installation of gas power plants has coincided with an important rise in installed renewable power generation, the decree to support domestic coal and a sharp fall in electricity demand, which, as a consequence, has seen production plummet at gas-fired power stations.

In table 3 you can see that Iberdrola generated 19,646 GWh in its gas plants in 2008. However, in 2012 it only reached 2,831 GWh. The decrease is evident when compared to a hypothetical production if these combined cycle plants had been able to maintain the operational hours attained in 2005.

To understand what this reduction signifies, in this scenario, 2012 production would have been 26,950 GWh more (estimated data). Furthermore, if the accumulation over these years is taken into account, the figure would rise to 95,000 GWh (estimated data). If the average market price for each year is applied to this production, it would mean a turnover of €4.25bn⁷ (estimated data) just for Iberdrola.

But bearing in mind that combined cycle plants make 12% above the average price, this amount would rise to €5.5bn (estimated data).

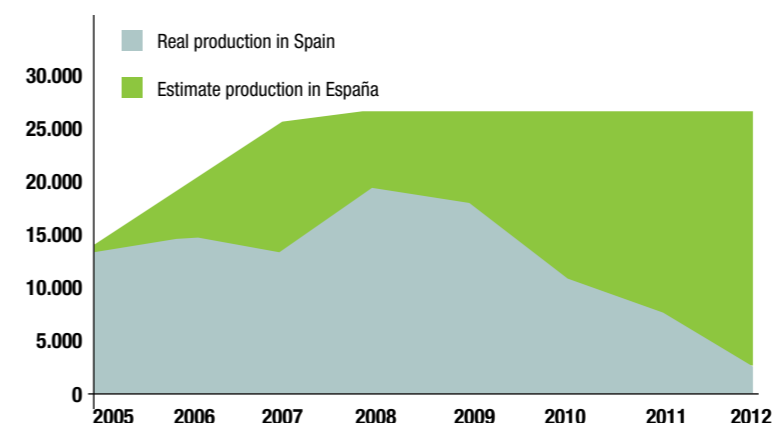
This amount would rise even further when taking into account that, if renewable energy did not exist, the market price would have increased notably.

The utilities have managed to alleviate in part these losses with the obtention of subsidies for capacity and availability (regulated payments to incentivise and avoid the closure of those installations that guarantee electricity supplies) and for incomes from system adjustment services.

It is clear that a recuperation in the market quota that gas held five years ago would suppose a considerable increase in profits. The expansion of renewable power has harmed the company's significant gas investment. For this reason Iberdrola has focused its attack on renewables, especially solar technologies where it has a minimum market quota, denouncing what they see as the unsustainable increase in the total cost of the premiums for these technologies.

Gráfico 3
Real and estimated production (*) of Iberdrola gas plants in Spain 2005-2012. (In GWh)
(* The same annual functioning hours as 2005.)

Source: Iberdrola annual reports. Drawn up by Iberdrola



El presidente de la Generalitat, Artur Mas, escuchó al presidente de Iberdrola, Ignacio Sánchez Galán, durante la inauguración del 5º Foro Euromediterráneo de la Energía, celebrado en octubre de 2011 en Barcelona. Iberdrola usa todo su poder para influir en políticos y dirigentes, con el fin de lograr que la legislación favorezca sus intereses en energías sucias.



Iberdrola's profits

2

Iberdrola has moved against renewable energies by pointing out the incentives and premiums¹ that renewables receive as the reason behind the “unsustainability of the power system”, as the company describes it, and the so-called tariff deficit⁹ as the main culprits. This leaves the company and the rest of the UNESA businesses heading towards financial ruin.

Nevertheless, looking at the data and the evolution of profits, the reality is quite different. Over the years where there has been a tariff deficit, Iberdrola has made €23.731bn¹⁰. Just in the period 2008-2012 it exceeded €2.8bn annually, in 2012 €2.84bn.

Another argument employed by Iberdrola to claim losses in Spain, despite its positive balance sheets, is to affirm that the greatest part of its profits derive from its overseas business. This affirmation is only true for the most recent fiscal years. It is striking that Iberdrola's EBITDA¹¹ for power generation in Spain¹² (€1.605bn) is higher than what it obtained abroad (€750m). This difference, including sales figures (€14.358bn in Spain and €9.21bn abroad), is far more surprising, given that generation in Spain over this period was 57,127 GWh while overseas figures reached 77,269 GWh.

Therefore, the numbers demonstrate that **Iberdrola suffered no losses, despite the progressive increase in the tariff deficit**. But how did this deficit come about? This is a consequence of a political decision taken in 2002 by the government of José María Aznar, specifically by the then deputy prime minister and finance minister, Rodrigo Rato, separating the costs and incomes of the power system¹³. Currently, this is like facing a mortgage, granted to the consumers who never requested for it. This system was denounced by Greenpeace in its day as absurd and lacking solidarity, as it obliges consumers to pay a surcharge for previous years' deficits and also obliges future consumers to bear the cost, for a further 15 years, of what is not paid each year¹⁴.

It is important to point out that Iberdrola is against the tariff deficit, as is Greenpeace. Nevertheless, it is not the same to say that the deficit should not exist and it should be removed, than to say that renewables are responsible for it.

Without premiums, would there still be a deficit? Of course there would. Firstly, without renewable energies, energy prices in the market would have risen. In the period 2005-2011, savings attributed to renewables were €7.607bn, that is more than the premiums received, because they lowered the price of electricity on the daily market by €28.482bn¹⁵. Secondly, it has been shown that cutting the subsidy to renewables over the last four years has not solved the tariff deficit problem. The opposite, in fact, the deficit is still rising.

El presidente de Castilla-La Mancha en el momento de la fotografía, José María Barreda, y el presidente de Iberdrola, Ignacio Sánchez Galán, inauguraron el 8 de mayo de 2009, en Puertollano (Ciudad Real), la primera planta termosolar que entra en funcionamiento en Castilla-La Mancha y la segunda en España. Pocos años después, Iberdrola pide que se detenga la construcción de todas las plantas de esta tecnología y es expulsada de la patronal Protermosolar.



Iberdrola's message: from green energy to hounding renewables

3

Iberdrola has never been anything else but a large utility company whose interests are in the conventional sector, but for some time it sent out a message in support of a new energy model, which set it apart from the rest of its competitors. It even committed to renewable energies in a far more clear-cut way than its rivals. In 2007, this commitment allowed it to present itself as "world leader in renewables" in most of its press releases and communications. Since then, **the company has used the symbols and values belonging to all of the renewable energy technologies as its own corporate image, even though its business is not principally centred in it**, as has been observed beforehand.

In spite of maintaining this corporate image, **since 2009 there has been a u-turn in its rhetoric**, leading to serious inconsistencies, not only in its previous approaches, but also in its current ones. Iberdrola began to criticise renewable energy in Spain. While overseas, its discourse is radically different.

These contradictions can be seen through some examples extracted from the company's press releases, and in some cases, references in the media.

In December 2009, at the Copenhagen Climate Summit, the company stated that *"Iberdrola is totally in tune with the unstoppable trend towards a new global energy model, based on low carbon emissions and support for clean and efficient sources"*. A few months later, in May 2010, in a conference with analysts after the presentation of its first quarter results, the company stated "the growth of less mature technologies must be delayed". Two years later, during the presentation of its outcomes, the company also affirmed: *"It is now necessary to stop the construction of the most expensive renewables, both the pre-allocated and the non allocated ones"*.

Iberdrola's chairman, Ignacio Sánchez Galán, included in his speech references in support of nuclear energy. In September 2009, in an interview on the Cadena Ser radio station, he said: *"Spain is not richer than its neighbouring countries and so cannot dispense with its nuclear plants, even less so in the context of the present economic crisis. We cannot do without less costly sources to take on costlier sources, because in the end we lose competitiveness"*. Two and a half years later he contradicted himself in another statement on Cadena Ser: *"The nuclear power plants require huge investments for their maintenance and one day the time may come when it is no longer worth continuing with them for economic reasons"*.

Another example of Iberdrola's changing message, depending whether you are on the sector's forums and events or you are viewing its advertising; the first is more in tune with its business: the change in reference to solar energy, especially solar thermal. In May 2009, during the inauguration of its solar thermal power plant in Puertollano, Iberdrola affirmed: *"The commitment to innovation and to this land has become a reality with a pioneering project in Europe, which will strengthen the role of Puertollano as an International Energy City and the region of Castilla-La Mancha as a reference in the promotion of renewables in Spain"*.

Almost three years later the company denominated this technology "hybrid solar/gas" and announced in its outcome presentation in February 2012: *"The construction of all combined gas-solar power plants must be halted as the moratorium does not serve its purpose if the pre-allocated plants are built. You cannot pay up to ten times more for an expensive technology like hybrid-solar"*.

Miguel Sebastián, ministro de Industria, Turismo y Comercio en el momento de la fotografía, junto con Ignacio Sánchez Galán, presidente de Iberdrola, en abril de 2012, durante la presentación de un plan de estímulo para el vehículo eléctrico, en el Palacio de Congresos de Madrid. Iberdrola usa todo su poder para influir en políticos y dirigentes, con el fin de lograr que la legislación favorezca sus intereses en energías sucias.



Iberdrola and politicians: revolving doors

4

The electricity sector is and has been one of the most influential lobbies before the different successive governments since the transition to democracy. UNESA inherited the power that it had as a corporation in the previous regime, first as coordinator of all electricity generation installations and transport in the 1940s and, later, as the body that in practice self-regulated the sector with the approval of the distinct governments. Unidad Eléctrica, S. A. became Asociación Española de la Industria Eléctrica in 1999, the trade association that habitually takes the initiative on regulation.

This capacity to influence the government has been increased by Iberdrola, sometimes invigorating the task of the trade association, but almost always acting on its own and prioritising above all its relations, not only with central government, but also with the regional governments, social organisations and the media. Perhaps the principle contribution of Iberdrola chairman, José Ignacio Sánchez Galán (who was paid €6.27m in 2012), has been to reinforce and renew with great dynamism that facet that the electric utilities had trusted, until then, almost exclusively in UNESA.

Along with this intense lobbying, it is worth noting the **growing presence of former members of the public administration within the ranks of Iberdrola**. This phenomenon, known as “revolving doors”, has enough weight to occupy a prominent place in the section on Iberdrola in the 2011 corporate social responsibility report on Ibex 35 companies, recently published by the Corporate Social Responsibility Observatory¹⁶.

The transfer of high-ranking officials is especially relevant in industries under regulatory control, like electric utilities, in which political decisions have an important impact on private companies’ interests and outcomes, and in the public interest. “There are many voices calling for tougher controls on the incompatibilities in the role played by public and private posts, because of the impact that both activities have on the development of companies and risks arising from the intersection of both spheres in these cases” the CSR Observatory states in its report.

Below we detail the composition of Iberdrola’s main management organs and highlight those posts that in the past were linked to politics and the public administration. Some of them are also linked to financial entities under on-going judicial processes for management irregularities.

Former administration officials and politicians who are currently in Iberdrola.

Board of Directors	Ángel Acebes (PP), Non-executive director.
	Georgina Kessel, ex Secretary of State for Energy during Calderon Presidency in Mexico.
Operations Committee	Fernando Becker (PP), Director General of Corporate Resources.
Fundación Iberdrola	Manuel Marín (PSOE), President.
Iberinco (branch Iberdrola)	Ignacio López del Hierro (kindred al PP), Member of the Executive Board.

Consejo de Administración

Ángel Acebes¹⁷. Non-executive director (since March 2012)

With the hiring of Acebes in March 2012, Iberdrola was the last of the big Spanish energy companies to incorporate a high-level former politician onto its board or as an advisor. Felipe González is at Gas Natural, José María Aznar and Elena Salgado in Endesa, Pedro Solbes in ENEL and Josu Jon Imaz in Petronor.

Partido Popular (PP) member, since the 1980s he has occupied various post at local, provincial and state levels. He was one of Aznar's strong men, who appointed him minister of Public Administrations, Justice and Home Secretary, and he was Secretary General of the party in Mariano Rajoy's time. Even though he is indicted for his tenure in a similar post at Banco Financiero y de Ahorros (Bankia Group parent company), he was confirmed in his post as a director of Iberdrola in April 2013, despite his known links in the alleged corruption case related to double accounting in the Partido Popular: the "Barcenas papers".

Georgina Kessel¹⁸. Non-executive director (since April 2013)

Recently appointed director by the Board of Directors, substituting Víctor de Urrutia Vallejo, a director at the utility since 1978. Georgina Kessel has extensive experience in the Mexican energy sector. She was Mexican Secretary of State for Energy between December 2006 and January 2011. During those years she also had posts as Chair on the Board of Directors at Petróleos Mexicanos (PEMEX) and on the Governing Board at Comisión Federal de Electricidad (CFE), the electricity utility charged with controlling, generating, supplying and marketing electrical energy across the whole Mexican state. During her presidency, CFE awarded Iberdrola diverse contracts, always through international tenders, for an amount around €1bn.¹⁹ Kessel's appointment is closely linked to the company's expansion in Mexico, Iberdrola admits.

Operations Committee.

Fernando Becker Zuazua²⁰, Director General of Corporate Resources (since 1999)

Professor of applied economics at the Rey Juan Carlos University, Madrid, he holds a doctorate in economics and business studies from Universidad Autónoma, Madrid. He was a classmate at school with Mariano Rajoy and his proximity to José María Aznar and the so-called "Valladolid clan" led him to hold posts in the Regional Ministry for Economy and Treasury in the Castilla y León Government during Aznar's premiership, a post which came under preliminary investigation for alleged accounting irregularities.

He was appointed as chairman at Instituto de Crédito Oficial by Rodrigo Rato and as member of the regional Economic and Social Council in the Madrid Community by Esperanza Aguirre; he was on the board of directors of various financial entities such as Argentaria, Banco Europeo de Inversiones and Fondo Europeo de Inversiones. In 1999, he joined Iberdrola as director of Corporate Resources and became board member of Neoenergía, S.L. and Scottish Power. Despite having been "vetoed" to be CEO by Sánchez Galán, who contracted him, Becker has turned down numerous public positions to stay at Iberdrola. When Rajoy established his government, he was mentioned as a possibility to hold the post of Finance minister.²¹

Amparo Moraleda, International Area Director (from December 2008 to February 2012)

Like Ignacio Sánchez Galán, Moraleda is an industrial engineer from the Escuela Técnica Superior de Ingeniería de la Universidad Pontificia de Comillas (ICA). She is one of the most highly valued Spanish business leaders.

Her affinity to the the Socialist Party (PSOE) is well known and her name has been associated repeatedly with public posts, like the presidency of Telefónica or the Market and Communications Commission, and she was even candidate for a ministerial role in the Zapatero government²². She joined IBM in 1988, where she reached the position of president for Southern Europe, until she joined the ranks of Iberdrola in 2009. Her recruitment was proposed by Sánchez Galán, who thought she could direct their international area, created in 2008 (when overseas electricity generation reached 50% for the first time), along with a development department, with the aim of "strengthening the company's organisation"²³. Moraleda's appointment was understood by the specialist media to be an attempt by Sánchez Galán to "safeguard" the company from interferences by the Zapatero government by contracting one of his "muses"²⁴. Moraleda's relations with Iberdrola ended abruptly in a cloud of mystery²⁵, when she was contracted by ACS²⁶, a hostile stakeholder²⁷.

Iberdrola Valencia Region Advisory Council

José Luis Olivas, President of the Advisory Council (to May 2012)

A PP politician, José Luis Olivas was President of the Regional Government of Valencia between 24 July 2001 and 25 May 2003. Before, that he had been regional Economy minister and first vice president of the Regional Government. From 2007 he was Bancaja Chairman and a director at Iberdrola. In May 2012, after leaving the Bancaja Presidency, he left the board at Iberdrola²⁸. He is indicted in the case related to the crisis at Bankia.²⁹

Fundación Iberdrola

Manuel Marín³⁰. President of the Fundación Iberdrola (since 2008)

Affiliated to the Socialist Party (PSOE) in 1974, he was member of Parliament over various legislations and held the post of Secretary of State for EC relations. After working for the European institutions, in which he³¹ reached the position of European Commission's Vice President, he worked as a teacher.

Marín, who also presided over the Spanish Parliament, joined Fundación Iberdrola on 22 July 2008, recommended by Iberdrola chairman, Ignacio Sánchez Galán. Marín became the first President of the Fundación Iberdrola unconnected to the company; this exception was motivated by his "extensive international experience". And, surely, because of his defence of European trade strategy with Latin America, both from Europe and subsequently from Mexico, where he taught, coinciding with the time when Galán took over as a Chairman of Iberdrola and initiated the company's commercial activity from that country.

Iberdrola Ingeniería y Construcción

Ignacio López del Hierro³². Member of the Executive Board (since 31 January 2013)

Ignacio López de Hierro (husband of the Partido Popular General Secretary M^a Dolores de Cospedal) began his career in politics in 2009. He was named Civil Governor of Toledo in 1977, aged only 29. Later he was Civil Governor of Seville and sub-Delegate of the Government in Andalusia in 1982.

Since then, he has an extensive professional track record in the business world, especially in construction. In May 2013, a report by the Economic and Fiscal Delinquency Unit (UDEF) related to illegal funding by the PP (Bárceñas case) requested an investigation³³ into works assigned to businesses linked to Ignacio Javier López de Hierro Bravo (Metrovacesa and Constructora Continental). His incorporation into the world on energy started in November 2012. After his frustrated attempt to get on the board of Red Eléctrica, he formed part of the Audit Committee of the subsidiary Iberdrola de Ingeniería y Construcción (Iberinco). On 31 January he left this post to become a member of the Executive Committee of Iberdrola's subsidiary³⁴. In March 2013, the National Company for Radioactive Waste (Empresa Nacional de Residuos Radiactivos, Enresa) awarded the tenders for the radioactive waste Temporary Centralised Storage Unit (Almacén Temporal Centralizado, ATC) in Villar de Cañas (Cuenca, Spain). A consortium made up of Iberdrola Ingeniería and Gas Natural Fenosa were awarded lot 2 and lot 3, worth a total of €6m.

Other politicians or close friends and relatives that make up the boards at Iberdrola³⁵

Manuel Amigo: government advisor to Juan Carlos Rodríguez Ibarra for over a decade, he was a member on the board at Iberdrola Renovables between 2010 and 2011.

Juan Pedro Hernández Moltó: former MP for the PSOE, former regional councillor in the Castilla-La Mancha government, former chairman at CCM (Castilla-La Mancha Bank), he was a director at Iberdrola Renovables (he had a stake in the company) from 2007 until the bank's intervention in 2009, for which he was indicted.

Regina Reyes Gallur: wife of Bernardino León, former secretary of State for Foreign Affairs and former assistant to Sonsoles Espinosa (wife of former prime minister José Luis Rodríguez Zapatero), she was non-executive director at Iberdrola Renovables from 2007 to 2011. She continues to work in the legal department of the utility.



José Luis Rodríguez Zapatero, presidente del Gobierno en el momento de la fotografía, charla con Ignacio Sánchez Galán, presidente de Iberdrola, en abril de 2012, durante la presentación de un plan de estímulo para el vehículo eléctrico, en el Palacio de Congresos de Madrid. Iberdrola usa todo su poder para influir en políticos y dirigentes, con el fin de lograr que la legislación favorezca sus intereses en energías sucias.

José Manuel Soria, Minister of Industry, Energy and Tourism, listen to Ignacio Sanchez Galan, chairman of Iberdrola, at the awards ceremony of the Energy Club in March 2012. Iberdrola uses all their power to influence politicians and leaders, in order to ensure that the legislation favors their dirty energy interests.



Iberdrola's power: customised legislation

5

Spanish energy regulation, especially the electricity sector, is home to many laws, decrees and ministerial orders, regulations... that hinder their recognition and detailed understanding. This only favours the large electricity utilities.

The companies that make up UNESA have been one of the most influential lobbies in the various governments since the Transition and have achieved legislation that often favours them. Some of their accomplishments are:

Costs of the transition to competition (Stranded Costs):

1997 Electricity Sector Law³⁶, that established the sector's liberalisation. The utilities overcharged €3.396bn³⁷, according to the National Energy Commission, which has still not been paid back.

Windfall profits: are benefits that do not result from actual competition on the free market, but rather a consequence of regulation, since certain installations are now amortised (hydraulic and nuclear) but they are paid at the same price as other technologies that establish the price to cover demand. In the case of nuclear and hydraulic power plants, the windfall profits amount to around €3bn annually.

CESUR (or Energy Contracts for Last Resort Supply)

auctions: set the price of electricity, introduced three years ago; their complexity and lack of transparency has instigated the consumer watchdog (OCU) to denounce the practice and is under investigation by the National Energy Commission (CNE). Energy vendors at the auction are not just utilities, there are also banks and investment funds. The cost to consumers could be as much as €1bn with important profits going to the companies involved (the five main electricity utilities are the only traders of Last Resort Supply).

Payment by capacity: with the aim of covering the investment by UNESA companies and due to the power surplus of combined cycle, these installations charge €20,000/MW over ten years. In 2011, capacity payments were €1.535bn.

Availability payments: Former Industry minister, Miguel Sebastián, approved payment for availability to the combined cycle gas power plants just three days before the general election of 20 November 2011, a measure requested by Iberdrola and criticised by the CNE³⁸. This amounts to a €190m annual outlay.

Tariff Deficit Securities Fund: the procedure approved for the securitisation of electricity system debt represents an overrun of €5bn for the consumers, who have to pay the interest on the debt to the banks that own them.

Reduction of 2020 objectives: Iberdrola and the other UNESA companies have fought to reduce to 20% the goals of renewable energies for 2020 in final energy consumption, the minimum requirement of the 2009 European Directive³⁹. The first draft of the National Action Plan on Renewable Energies set it at 22.7%. It was finally left at 20.8%.

Putting the brakes on renewables

The last two Spanish Governments have been especially sensitive to UNESA petitions. Successive regulations have favoured the conventional sector and, furthermore, have served to put the brakes on renewable energy development in Spain.

• Government of José Luis Rodríguez Zapatero with Miguel Sebastián as Industry minister:

Royal Decree Law 6/2009, of 30 April, which adopts certain measures in the energy sector and approves the social contract.

The intention was to plan the economic impact of the Special Regime energies on the tariff system, for which the Pre Allocation Payment Register was created.

Royal Decree 1565/2010, of 19 November, to regulate and modify certain aspects relative to electricity production activity in the Special Regime.

Regulates and modifies Special Regime electricity production activity and means a reduction in photovoltaic incomes of €600m over three years.

Royal Decree 1614/2010, of 7 December, to regulate and modify certain aspects relative to electric energy production activities through solar thermal and wind technologies.

Regulates and modifies electric energy production activity through solar thermal and wind technologies and means a reduction in incomes for wind and solar thermal of around €1.1bn.

Royal Decree Law 14/2010, of 23 December, to establish urgent measures to correct the electricity sector tariff deficit.

This retrospectively limits the operational hours of photovoltaic installations in accordance with the climate zone in which they are situated and means a cutback of €2.2bn of the €4.613bn reduction forecast by this regulation, a cutback to add to the previous ones.

• Government of Mariano Rajoy with José Manuel Soria as Industry minister:

Royal Decree Law 1/2012, of 27 January, to proceed with the suspension of pre-allocation payment procedures and the abolition of economic incentives for new installations that produce electricity through co-generation, renewable energy sources and waste.

It suspends the pre-allocation payment procedures and eliminates the economic incentives for new installations producing electricity in the special regime. This means the paralysation of photovoltaic from that moment, wind at the end of 2012 and solar thermal at the end of 2013. This moratorium is "insufficient" for Sánchez Galán⁴⁰.

Royal Decree Law 13/2012, of 30 March, to transpose directives in the domestic gas and electricity markets and in electronic communications and to adopt measures to correct deviations and imbalances between costs and incomes in the electricity and gas sectors.

This includes measures that affect electricity companies, not focused on generation, but fundamentally on distribution, with a reduction in incomes of around €840m, although the main weight of the adjustment will fall on consumers with a €1.4bn bill. For the renewables sector, this Royal Decree Law partially transposes the European directives on renewables and saving and efficiency, that require the lifting of regulatory, administrative and economic barriers to the development of renewables.

Law 15/2012, of 27 December, on fiscal measures for energy sustainability.

This creates an electricity generation tax with the same burden (7%) for all technologies, disregarding sustainability. Conventional technologies can transfer this tax on to the market, while most renewables will see their profits hit. In the draft Law, a special tax was proposed for nuclear and large hydraulic, both beneficiaries of windfall profits, but finally it did not appear in the approved text (as demanded by UNESA).

Royal Decree Law 2/2013, of 1 February, on urgent measures in the electric system and the financial sector.

This modifies the remuneration system of regulated activities and the retribution formula to special regime installations. The premiums and tariffs are no longer revised with annual CPI. In addition, renewable generators will have to choose, with no option to switch, between the regulated tariff and the market, and in this case they will no longer receive premiums. This signifies the expulsion of renewable energies from the market.

In February 2012, the King of Spain, Don Juan Carlos I and Queen Sofia, accompanied Ignacio Sanchez Galan, chairman of Iberdrola, at the opening of the Iberdrola Tower, the headquarters of the company located in Bilbao. Iberdrola uses all their power to influence politicians and leaders, in order to ensure that the legislation favors their dirty energy interests.



Conclusions

- 85,01% of Iberdrola's production, both in Spain and abroad, between 2005 and 2012, was centred on conventional technologies, while 14.99% was renewable generation (wind power mostly). The bulk of Iberdrola's production is based on combined cycle gas power plants (40.34%) and nuclear power (19.23%).
- In Spain, 78,62% of Iberdrola's production was centred on conventional technologies, while 21,38% was renewable generation. The bulk of Iberdrola's production is based on nuclear power (45,55%) while the combined cycle gas power plants decline his production to 4,9%.
- Iberdrola has suffered a reduction in operational hours of its combined cycle gas power plants from 4,211 hours in 2008 (Peninsula) to 1,540 in 2012. If the level of production forecast by Iberdrola in its gas plants had been maintained, it would have turned over at least €4.250bn more in the period 2005-2012.
- The high penetration of renewables in the grid, the fall in demand for electricity –as a result of the economic crisis– and the decree to aid indigenous coal are to blame for the low usage of combined cycle. That is the reason that Iberdrola has focused his attack on renewables and especially on solar
- Despite defending the new energy model, from 2009 Iberdrola became the main detractor of renewable energies, exposing it to serious contradictions in its discourse.
- UNESA, and especially the Iberdrola Chairman, have maintained firm opposition to solar energy, particularly concentrated solar thermal, when in 2009 they were enthusiastic supporters.
- Iberdrola has cultivated and augmented its political power and influence over the last decade on the different Spanish governments and also over the regions. Former politicians like Ángel Acebes, Georgina Kessel, Fernando Becker, Manuel Marín and Ignacio López del Hierro form part of its decision-making body.
- This power to influence politically can be appreciated in the regulation approved by the Government that favours its business model. Capacity and availability payments or Royal Decree Laws 1/2012 and 2/2012 are examples of this.

What Greenpeace demands

Both Iberdrola and the Government must act to return Spain's leadership in the development of renewable energies and get back on the path of the Energy Revolution. Therefore, Greenpeace demands:

Iberdrola:

- To abandon its attack on renewable energies.
- To stop pressing the Government and attempting to subject energy policy to company interests.
- To support a regulation for the personal consumption of clean energy, allowing all citizens to exercise their rights to generate and consume their own energy in favourable conditions.
- To recognise that Spain must head towards a 100% renewable electric system.
- To adopt a new strategy which prioritises its investments in accordance with the Energy 3.0 model (based on intelligence, efficiency and 100% renewable).
- To establish a timetable to phase out installations generating dirty energy, starting with nuclear and coal-fired technologies.
- To stop investing in dirty energies in Spain and overseas and to go back to large-scale investment in renewable generation.

The Government:

- To oblige a complete legal and ownership unbundling of the companies that own the electricity transport and distribution grids and those owning power plants, and not allow them to belong to the same business group.
- To modify the Incompatibility Law to impede high-ranking officials in large utilities from transferring to the public administration and vice versa.
- To end the moratorium on renewable energies.
- To elaborate an energy plan, with a long-term vision and aligned to the European road map on energy and climate, including a phase-out schedule of dirty-energy installations and their progressive substitution by renewable energies and energy efficiency.
- To present a law to reform the electricity sector which brings in the necessary reforms, coherent with the energy plan, so that Spain is equipped with an efficient, intelligent and 100% renewable system. This law must include a reform of the market and the technical management of the system to remove the barriers to renewable energies and facilitate a flexible management system that optimises their integration.
- To regulate the right to personal consumption of clean energy with net metering systems that incorporate appropriate economic signals for efficient energy exchange with the grid.

Notes

- 1 Energy 3.0 Greenpeace Spain 2011: An energy system based on intelligence, efficiency and 100% renewable.
- 2 UNESA is the Spanish electricity industry association, made up of the five largest utilities: Endesa (ENEL), Gas Natural Fenosa, HC Energía (EDP), EON and Iberdrola.
- 3 Iberdrola's annual reports always distinguish the technologies reflected in table R1.
- 4 All renewable production and generation data in this report exclude large hydraulic.
- 5 Iberdrola, outcome report 2012.
- 6 REE 2013, Spanish Electrical System 2012 Report Preview.
- 7 Billions of euros.
- 8 Compensation for the installations under the Special Regime (cogeneration, waste treatment and renewables) to internalise their environmental efficiency or security of supply benefits.
- 9 Difference between the sum total raised by the integral tariffs and access rates (which are set by the Administration and consumers pay for their regulated and competitive supplies, respectively) and the recognised costs associated with said rates (cost of energy acquisition for integral rates, transport, distribution, incentives to renewables, fixed costs of the system, etc.).
- 10 Net result fiscal years 2000-2012. Iberdrola annual reports and statements.
- 11 Financial indicator meaning Earnings Before Interest, Taxes, Depreciation, and Amortization, that is to say, gross earnings before deduction of costs and obligations.
- 12 This figure also includes commercialisation costs, according to its 2012 outcome report.
- 13 This decision has never been amended by any successive government.
- 14 Greenpeace also condemned other negative effects of the deficit: lower rates than the recognised costs encourage higher consumption (benefiting suppliers but detrimental to consumers) and impedes or hampers the right to choose the origin of supply (free market energy cannot compete with these political tariffs).
- 15 APPA 2013. Study on the macroeconomic impact of renewable energies in Spain (2011 data).
- 16 CSR Observatory, May 2013. Corporate Social Responsibility in the Annual Reports of IBEX 35 companies. 2011 Fiscal Year Analysis. http://www.observatoriocrsc.org/images/stories/audio/Proyectos/Informe_MemoriasRSC_2011_completo.pdf
- 17 See annex for complete biography.
- 18 See annex for complete biography.
- 19 <http://vozpopuli.com/empresas/24459-iberdrola-ficha-a-una-expolitica-mexicana-que-adjudico-a-la-electrica-contratos-multimillonarios>
- 20 See annex for complete biography.
- 21 *El País*, October 2011. http://politica.elpais.com/politica/2011/10/26/actualidad/1319622913_773585.html
- 22 *El Mundo*, May 2008. <http://www.elmundo.es/mundodineroy/2008/05/21/economia/1211395401.html>
- 23 *ABC*, December 2008. http://www.abc.es/hemeroteca/historico-17-12-2008/abc/Economia/amparo-moraleda-deja-ibm-y-ficha-por-el-grupo-iberdrola_911942557016.htm
- 24 *El Confidencial Digital*, April 2009. http://elconfidencialdigital.com/muy_confidencial/el_chivato/045550/las-musas-de-rodriguez-zapatero-de-amparo-moraleda-a-elena-salgado-pasando-por-cristina-garmendia?IdObjeto=20337
- 25 *El País*, March 2012 http://economia.elpais.com/economia/2012/03/27/actualidad/1332842768_500782.html and February 2012 http://elpais.com/diario/2012/02/04/economia/1328310010_850215.html
- 26 *El País*, March 2012 http://economia.elpais.com/economia/2012/03/27/actualidad/1332842768_500782.html
- 27 *El Confidencial*, March 2012 <http://www.elconfidencial.com/economia/2012/03/27/amparo-moraleda-burla-el-veto-de-iberdrola-para-irse-con-los-march-95075/>
- 28 *El Mundo*, 23 May 2012 <http://www.elmundo.es/elmundo/2012/05/23/economia/1337754507.html>
- 29 Cadena Ser, October 2012. Miguel Ángel Campos. Analysis. 33 indicted at Bankia. http://www.cadenaser.com/economia/articulo/33-imputados-bankia/csrsrpor/20120704csrsreco_13/Tes
- 30 See annex for complete biography.
- 31 He was even acting president between July and September 1999.
- 32 See annex (in Spanish) for complete biography.
- 33 *El País*, May 2013. http://politica.elpais.com/politica/2013/05/07/actualidad/1367946677_704079.html
- 34 Official Gazette of the Mercantile Registry, 11 February 2011 <http://boe.es/borme/dias/2013/02/11/pdfs/BORME-A-2013-28-48.pdf>
- 35 A.M. Velez. Voxpópuli, press release, 18 January 2013 <http://vozpopuli.com/empresas/20086-al-menos-40-expoliticos-y-allegados-han-fichado-por-el-sector-energetico-con-la-crisis>
- 36 <http://www.boe.es/boe/dias/1997/11/28/pdfs/A35097-35126.pdf>
- 37 *Cinco Días*, July 2008 http://www.cincodias.com/articulo/empresas/cne-pide-electricas-devuelvan-3400-millones/20080702cndsdiemp_3/
- 38 <http://www.asena-consulting.es/noticias/se-aprueba-la-orden-regula-el-servicio-de-disponibilidad-de-potencia-de-los-pagos-por-capacidad/>
- 39 Directive 2009/28/CEE of the European Parliament and Council, 23 April 2009, fomento the use of energy sourced from renewables and which modifies and repeals Directives 2001/77/CE and 2003/30/CE.

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Greenpeace is an independent global campaigning organisation that acts to change attitudes and behaviour, to protect and conserve the environment and to promote peace.

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