

AFTER THE CRISIS

# What Should We Do About Scarce Resources?

## The Importance of Renewable Energy

per Maria Teresa Costa



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Spain has become an international reference, especially in the field of wind and solar energy. From the 1,000 MW installed in 1990, we reached renewable sources generating over 30,000 MW by the end of 2009.

**Energy, along with water, is a crucial element in any strategy aiming to achieve economic growth. The past squandering of resources cannot continue if we are to ensure sustainable growth in economic, social and environmental terms. In this scenario the role of energy will become increasingly important.**

This article cannot start without referring to the impact of the global crisis that started in 2008 and its effects on the Spanish economy. With a slight upward revision of growth forecasts for 2010, the European Commission plans to close this year (2010) with a growth in the Gross Domestic Product (GDP) of around 0.9% for the whole Euro Area. Forecasts for Spain, however, continue to provide a negative GDP growth rate of around 0.4%.

Despite these predictions, we must remember that the aggregate demand for energy, which has always acted as a reliable indicator of the economic situation, showed clear signs of recovery in early 2010: the variation in the national electricity demand over the first half of 2010 was 4% higher than the same period in 2009, while that for gas was 1.5%, in both cases recovering from the negative figures registered in 2009.

There is no doubt that we are going through a difficult patch worldwide, but you cannot ignore that while crises create difficulties, they also offer opportunities.

These opportunities require prior debate to define and design strategies to change the economic model, promoting balanced and sustainable growth. And this growth must reconcile the economic, social and environmental facets as part of a productive and competitive economy which encourages the creation of new jobs, equal opportunities, social cohesion and ensures respect for the environment.

The search for sustainability in the case of the energy sector should be based on the principles of improving competitiveness, cost saving measures and energy efficiency as well as promoting clean energy, not to mention air emission reduction of polluting gases.

The time has come to make the changes needed to modernize key sectors of our economy but also to seek new growth opportunities in new emerging sectors in which Spain holds a competitive advantage. This may be the case for renewable energy.

The need to reduce dependence on foreign energy at a time of great price

**«The contribution of renewable energy to electric production will reach 42.3%, so in Spain it will exceed expectations in this area by 40%»**

instability has encouraged the Spanish government's firm commitment to renewable energy. This has resulted in an energy policy that must comply with specific EU objectives in the field of energy. The objectives are to increase energy efficiency to save 20% energy consumption in the EU, reaching 20% of renewables in total primary energy consumption by 2020 in the EU and, ultimately, to establish a minimum target of 10% for all member states regarding the percent of biofuels, with respect to all transport fuels (diesel and petrol), consumed in the EU in 2020.

Supporting renewable energy is a cost to the consumer of close to 6,000 million Euros annually in the form of premiums, which opens a debate on the suitability of these systems of promotion that you cannot enter without a global vision of the issue.

Without going any further, as the climatic conditions experienced in early 2010 in the Spanish state have been favourable to the generation of energy from renewable sources –more than 40% over many hours a day– which has coincided with a lower energy demand. This has resulted in a wholesale market price around 30 Euros/MWh, representing the lowest electricity prices in Europe.

With respect to guaranteeing supply, it should be noted that the contribution of renewable energy to gross final energy consumption in the Spanish state is expected to be 22.7% by 2020, almost three percentage points above the mandatory target set by the EU for member states, while the contribution of renewable energy to electric production will reach 42.3%, so in Spain it will exceed expectations in this area by 40%.

The drive for renewable energy in our country is unquestionable. From the 1,000 MW installed in 1990, we reached renewable sources generating over 30,000 MW by the end of 2009. Accordingly, Spain has become an international reference, especially in the field of wind and solar energy.

According to data published in December 2009 by the Association of Renewable Energy Producers in Spain (APPA), in 2008 the renewable energy sector contributed 7,315 million Euros to the GDP (4,805 million Euros in direct contributions and 2,510 million Euros in induced impact), representing 0.67% of the GDP.

In the field of technology, the renewable energy sources that contributed most to the GDP were: wind (51.9%), photovoltaic (21.6%), biomass (15.07%) and small hydro (7.2%).

The development of these technologies for generating renewable energy has led to the creation of powerful industries with a strong export profile, manufacturing equipment and components, related to these technologies. It has also had a strong impact on job creation, especially for highly skilled workers.

Renewable energies play a revitalizing role in times of crisis –like the present– because they act as a basic input in different branches of the productive system as they promulgate technological progress.

Innovation in developed economies provides a competitive element of advantage in a globalized world like ours. Hence the importance of having a well-ordered, creative and efficient innovation system, capable of responding to the challenges facing today's society. All this without forgetting the need for a strong and stable regulatory framework that is able to provide security to investors. Without doubt, this is one of the major contributions expected of the Spanish energy sector in terms of helping us out of the current economic crisis.