Analysis of Spain's omnibus energy bill in response to the Iran war.

The illegal attack -as per international law- perpetrated unilaterally against the Republic of Iran by the United States of America and Israel has garnered a context of uncertainty with potentially devastating economic and social consequences at a global scale.

It is still early in the conflict to be able to measure the reach of its impact, especially because it will be determined by its duration and the way it affects critical energy infrastructure and global supply chains.

However, it is foreseeable that we will undergo an energy crisis that will increase inflation, stagnate families' purchasing power and hit those most vulnerable the hardest.

To avoid this context, the Spanish government has approved an omnibus bill to alleviate the consequences of the energy crisis. Below, we analyze the most relevant measures in the approved bill.

Measures about energy bills

The bill allows for further discounts on the energy support schemes that were already in place (*bono social eléctrico* and *bono social térmico)* as well as forbidding energy cuts to vulnerable consumers.

It also allows for a flexibilization of gas and electricity bills for SMEs and self-employed people, and an increase in underground storage capacity with waived tariffs to lower overall gas bills.

Renewable Acceleration Areas (RAA)

The measures are focused in unblocking renewable energy deployment and accelerate the implementation of renewable projects due to the weight clean energy is increasingly having in the Spanish electric system.

We welcome the measures on the designation of Renewable Acceleration Areas that will prioritize the deployment of projects in areas with a lower environmental impact, reduce permitting timelines, and reinforce environmental evaluation of potential impacts.

These measures are generally positive; however, we are deeply concerned about the lack of specifications of types of projects and technologies the bill is referring to. This lack of specification can indulge in “tech-neutrality” and in favoring centralized projects that go against a distributed-style deployment and social licensing practices associated with a fair and just energy transition.

Regarding permitting simplification, this will only be positive if it’s linked to clear social licensing and sustainability criteria. Otherwise, we risk accelerating all sorts of mega-projects without tending to social and environmental integration.

Social and territorial excellence in prioritized projects

The bill introduces a new system of recognition to energy projects (renewables, storage, and grids) that have positive impacts on its social and territorial environment.

This new ‘excellence badge’ evaluates aspects such as citizen participation in financing, job creation, vocational training and integration with agricultural and livestock farming.

The badge allows projects to access administrative benefits such as faster processing, preferential consideration, and a better position in competitive processes in the energy sector. Here we will follow very closely an establishment of specific requirements that truly have a positive social impact instead of a bluewashing opportunity.

Finally, more measures accelerate the development of certain projects considered of public interest. These include initiatives of high social standing, that are placed in areas of low environmental impact, strategic facilities and actions of improvement (such as repowering and hybridization). In the previously mentioned cases, faster processing will be prioritized as well as environmental evaluation simplification, limiting it to additional impact whenever changes don’t supersede certain thresholds.

Fiscal measures

There are new incentives in personal income taxes, such as tax deductions between 20% and 60% on energy efficiency retrofits with a maximum deductible of 5.000EUR, depending on the amount of final energy saved.

There is also a tax deduction of 15% after the purchase of an electric vehicle and another one of between 10% and 20% for the installation of self-consumption energy systems, including batteries.

The bill introduces general fiscal measures to alleviate rising energy costs for the consumer. As such:

- The electricity tax (IVPEE) is waived until June 2026.
- VAT on energy (electricity, gas, biomass, pellets and fuel) are reduced to 10%
- Tax reductions for renewable energy installations (up to 50% less in property tax and 95% less in construction tax).

We consider reducing taxes on fuels to be a negative measure.

Measures on energy self-consumption and energy communities

Self-consumption managers are recognized as official representatives of the consumers associated with those facilities and may act on their behalf to facilitate management and coordination. In addition, the allowed perimeter for self-consumption is increased to a maximum of 5 km for any technology, with a maximum capacity of 5 MW and the possibility of connection via transmission and distribution networks.

Furthermore, energy planning mechanisms are improved, such as forward-demand auctions in transmission and distribution networks. At the same time, there is an evident support for energy communities through a commitment to develop their regulatory framework in the short term and reserve specific capacity for their participation in auctions, thereby promoting their development and expansion.

Electricity grid

The bill strengthens transparency in access to electricity networks by requiring TSOs and DSOs to provide detailed information on access and connection capacities—both granted and requested—as well as on expired permits for electricity demand and generation facilities. This information may be requested by the competent authority and, when deemed to be of public interest, will be published periodically to improve the visibility and planning of the electricity system.

At the same time, the bill establishes a new economic mechanism linked to the reservation of grid access capacity. Consumers who have made payments for this reserve may benefit from reductions in transmission and distribution tolls once they begin operations. These reductions will be bigger in the early years, reaching 100% of the amount paid in the first year, and decreasing to 80% in subsequent years, thus incentivizing the effective use of the reserved capacity.