



Institutional Investors Group on Climate Change

D. José Luis Rodríguez Zapatero
Presidencia del gobierno
Complejo de la Moncloa
Avda. Puerta de Hierro, s/n.
28071 Madrid
Spain

Copy to: D. José Enrique Serrano, Chief of Staff of the Presidency

23rd December 2010

Dear President

Subject: Proposed retroactive reduction of 661 tariff for existing investments

The Institutional Investors Group on Climate Change (IIGCC) is the European network for institutional investors to promote the assessment and active management of the investment risks and opportunities associated with climate change. The group represents over 65 investors, including many of the largest pension funds in Europe, and therefore millions of public sector pension fund beneficiaries.

We refer to a letter we wrote to you on 23rd June expressing our concerns about proposed retroactive reductions to the 661 tariff or annual caps in generating hours for existing investments in solar photovoltaic (PV) projects. Supported by Spain's ambitious and cleverly designed public policies on renewable energy, our members and other investors have made substantial investments in Spanish solar photovoltaic (PV) projects in recent years.

We are writing to you again in regards to indications that the government is preparing a Royal Decree Law that would include such retroactive changes on PV installations.

Institutional Investors Group on Climate Change

c/o The Climate Group, Second Floor, Riverside Building, County Hall, Belvedere Road, London SE1 7PB

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As with all infrastructure related investments, investments in renewable energy projects are very long-term and only possible if assisted by policies that support a relatively safe long-term assessment of expected risks and returns. Where the credibility of support mechanisms for existing investments is called into question, future private investment in renewable energy will be severely curtailed and/or the price of raising capital for these investments will increase.

Therefore, such retroactive changes would seriously hamper the wider prospects of attracting large scale private investment to the renewable energy sector. Many investors will put on hold, in some cases indefinitely, their review of renewable investment opportunities not just in Spain but globally.

We recognise that the Spanish government must address its fiscal situation and challenges in the energy sector. However, we would like to emphasise that retroactive changes to the 661 tariff for existing investments would result in substantial loss of confidence in Spain's willingness to live up to commitments it has made, as well as losses for investors in your country. It would also lead investors to reassess risks associated with investing in Spain where the Spanish government could again in the future change the rules.

The policy success that Spain has achieved in bringing down technology costs of new investments clearly justifies changes to tariff structures for future investments. Tariffs offered as the basis for new investments should always reflect the costs involved. However, the step currently under consideration would seriously hamper the wider prospects of attracting large scale private investment to the renewable energy sector and foreign investment in Spain more generally. It would also have consequences for investment in renewable energy more widely in the EU as well as globally.

On behalf of the IIGCC membership, we therefore urge the Spanish government to consider such steps carefully and to be aware of the implications of making retrospective policy changes. We would also ask the Spanish government to consult with investors on how to minimise the risks for investors when considering changes to the regulations in the energy sector.

Yours sincerely,

On behalf of the IIGCC,

A handwritten signature in black ink, appearing to read 'Ole Beier Sørensen', is written over a light blue horizontal line.

Ole Beier Sørensen

Chairman, IIGCC, and Chief of Strategy and Analysis, ATP

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IIGCC Membership, December 2010

Alfred Berg	Ethos Foundation	Northern Trust
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APG Asset Management	First Swedish National Pension Fund	PGGM Investments
ATP	Fourth Swedish National Pension Fund	PKA
Aviva Investors	GEEREF	PRUPIM
Baptist Union of Great Britain	Generation Investment Management LLP	Robeco
BBC Pension Trust	Good Energies	Scottish Widows Investment Partnership
Bedfordshire Pension Fund	Greater Manchester Pension Fund	Schroders
BlackRock	Grosvenor Fund Management	Second Swedish National Pension Fund
BMS World Mission	Henderson Global Investors	South Yorkshire Pensions Authority
BNP Paribas Investment Partners	Hermes	The Church of England Pensions Board
BTPS	HgCapital	The Church in Wales
CB Richard Ellis Investors	HSBC Investments	The Roman Catholic Diocese of Plymouth
CCLA Investment Management	Hudson Clean Energy	The Roman Catholic Diocese of Portsmouth
Central Finance Board of the Methodist Church	Impax Asset Management	The Roman Catholic Diocese of Salford
Church Commissioners for England	Insight Investment	Third Swedish National Pension Fund
Church of Sweden	Invicta Capital	United Reformed Church
Climate Change Capital	Joseph Rowntree Charitable Trust	Universities Superannuation Scheme
Co-operative Asset Management	Kent County Council Pension Fund	West Midlands Metropolitan Authorities Pension Fund
Corporation of London Pension Fund	London Borough of Hounslow Pension Fund	West Yorkshire Pension Fund
Earth Capital Partners	London Borough of Islington Pension Fund	William Leech Charitable Trust
Environment Agency Pension Fund	London Borough of Newham Pension Fund	
Environmental Technologies Fund	London Pensions Fund Authority	
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