

Nobody expects the Spanish disposition

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Political upheaval in Spain has thrown the European market into disarray as the transport agenda is kicked into the long grass – wiping out the only greenfield pipeline of any scale on the continent.

Mariano Rajoy of the conservative People's Party (PP) earlier this week stood down from his role as Prime Minister having last week been dealt a vote of no confidence over a raft of corruption allegations.

Pedro Sánchez of the socialist party (PSOE) was voted in on Saturday, taking power with just 84 of the 350 seats in Congress thanks to support from rival parties including anti-austerity group Podemos and pro-independence groups for Catalan and Basque.

And that's not the end of it. Further change is on the cards as Sánchez has warned that a general election will be staged before the end of the current legislature – in 2020.

As is so often the case, dramatic shifts in the political scene bring infrastructure investment pipelines to a screeching halt... and so the Spanish pipelines – brownfield and greenfield – wither on the vine.

A two-year hiatus...

It feels like just yesterday that *IJGlobal* turned its focus on the Spanish transport market, welcoming the arrival of a €5 billion [Plan de Inversión Extraordinaria de Carreteras](#) (PIC). In reality, this was just under a year ago (July 2017).

And what a glorious programme of work it is/was:

- [Murcia bypass](#) – 33km road with an estimated value of €400 million
- new road parallel to the [A1 in Madrid](#)
- expansion of [the A5](#)
- completion of [Seville ring road](#)
- addition of a third lane to [Autovia Norte](#), linking Santander and Biscay
- widening lanes between Burgos and Aguilar de Campoo

This greenfield programme was never without its challenges – as identified in an editorial [a fortnight ago](#) where we pointed to risks of expropriation and tolling – but nobody (much like the Spanish Inquisition) expected a change of government.

“Even before the change of government, there was expropriation risk,” says one lender. “So from that perspective it was already difficult. From what we are seeing now, it is going to be even more difficult for the new government – a minority government at that.”

And it's not just the greenfield pipeline. The brownfield agenda of Radiales that had been taken back into public ownership to be dusted off, tidied up and then auctioned off looks very much to be off the agenda as well.

In one fell swoop, Spain has gone from hero to zero in the infrastructure community and the financing/advisory world is swiftly refocusing efforts elsewhere, many of them writing off the last year.

And there's no point hanging around for the greenfield pipeline to be revived. It will take at least two years for that to happen given the size of the programme... and before economic reality overcomes political ideology. These are not vanity projects, they were planned because they are necessary.

Speaking this week to infra funds – many of them having already partnered with developers – the shift in Spain has come as a severe blow... though most insist airily that Spain was only ever part of a bigger (much bigger) strategy and that they'll be just fine (nervous tick).

One infra fund contacts bemoans: "We were not dependent on the Spanish roads programme, but we did have high expectations for it."

But then, not everybody bought into the Spanish revival, many continuing to hold grudge over the 2012 retroactive tariff changes on renewable energy projects.

Having said that, some lenders who claim to have backed away from the market admit more recently to have been investigating corporate PPAs on renewables projects.

Glimmer of hope

So as not to send you into the weekend in a fugue of misery, let's focus on the one glimmer of hope for the Spanish market – renewable energy.

Sánchez has already appointed Teresa Ribera to the role of Environment Minister and made it clear that Spain was now taking a more proactive approach to its renewables agenda.

He has set a more ambitious target of 34-35% of clean energy production by 2030, up from the 30% the previous government was dragging its heels to meet.

Add to that the intention not to extend the lives of its seven nuclear power plants (no bad thing as four of them are shut down due to a refuelling requirement, leaks and cracks) that are supposed to contribute 8GW to the national grid, taking them fully offline from 2020.

As a result, the new government has little choice but throw its weight behind renewable energy.

So, if you are over the horror of the 2012 renewable energy catastrophe and are willing to put 2018's transport debacle behind you... why not get stuck into the Spanish renewable market again?

Then again, you could always shift focus to Italy...

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