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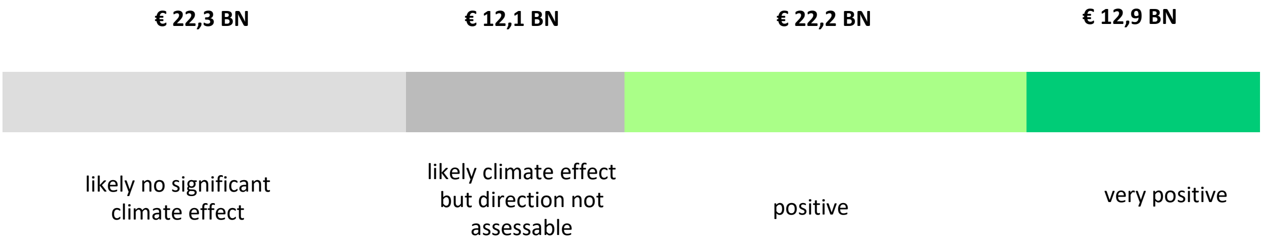
GREEN RECOVERY TRACKER REPORT: SPAIN

In April 2021, the Spanish government presented a first complete public draft of its Recovery and Resilience Plan (RRP), following an earlier release of high-level priorities in October 2020. Overall, we find that the components included in the draft plan, with investments totaling €69.5bn, equaling 6.2% of Spain's GDP (2020), will make a positive contribution to the green transition, as our analysis identifies the following spending shares:



Despite the inclusion of many positive investment and reform priorities in the plan, the information provided on which exact measures will receive specific funding amounts is often insufficient for a fully comprehensive assessment. All in all, the RRP sets positive benchmarks through the connection of investments and reforms such as the introduction of more ambitious energy transition targets enabled through recovery funding, as well as with the support of specific flagship projects as part of the green transition, such as battery manufacturing.

In focus: Green Spending Share

We find that Spain's draft recovery plan (RRP) achieves a green spending share of 31%, below the EU's 37% benchmark. Furthermore, we find that 17% (€12.1bn) may have a positive or negative impact on the green transition depending on the implementation of the relevant measures, illustrating the importance of further scrutiny during the further planning, review and implementation of the recovery measures. According to the government, the plan's climate spending share is 39% (see page 5 for more details).

Our calculation of the green spending share aims to mirror the approach used for the official assessment of national recovery plans, which distinguishes between measures contributing fully to climate mitigation (100% coefficient) and measures contributing partly (40% coefficient). Therefore, we fully count "very positive" measures towards the green spending share, while "positive" measures are weighted using a coefficient of 40%, which is applied to the associated costs. All individual assessments can be accessed via the country page on our website.

OUR HIGHLIGHTS

Good Practice

Linking economic recovery and regional development

The Spanish government is putting an explicit emphasis on supporting less developed regions in the country through its recovery measures in alignment with territorial policies, aiming to create more jobs and develop new economic activities in these regions. This emphasis is also closely linked to the national Just Transition Strategy.

Bad Practice

Missing information when it comes to the details

While the plan's general priorities are well-defined, the materials that have been published often only provide scarce information on what exact measures and projects will be supported. It has also been noted that the functioning of and accountability mechanisms for the plan's governance are not very well defined yet.

To Our Surprise

Accelerating the energy transition

The Spanish government moved its 2025 energy transition targets contained in its National Energy and Climate Plan forward to 2023 to boost the country's economic recovery. This decision will require a substantial increase in the country's capacity for renewable energy investments, the renewal of the housing stock as well as infrastructure for electric mobility.

GENERAL CONTEXT

Before the Covid-19 crisis hit, the political debate in Spain was dominated by the issues of unemployment and economic growth, quality of jobs, as well as mistrust in the political system and politicians.

Nonetheless, the government had also made the green transition a cornerstone of its political agenda, introducing a dedicated Ministry for the Ecological Transition and the Demographic Challenge in 2018 which is also responsible for energy policy making. In 2020, Environment Minister Ribera was promoted to the rank of Deputy Prime Minister, illustrating the political importance given to green issues by the government.

Within climate politics, the coal phase-out and the socio-economic transition of coal regions were a prominent issue, with unions and local authorities seeking to secure a compromise for a managed transition away from coal. While previous governments had tried to block the retirement of coal power plants, the new government was able to negotiate an agreement for the closure of unprofitable coal mines in late 2018. Furthermore, mobility issues have been at the center of public concerns. Air quality is also a prominent issue, with the decision of a newly elected local government in the capital Madrid to reverse restrictions on car traffic in the city causing a major public debate in the country. Lastly, the government's ambitious agenda for the expansion of renewable energies, including through self-consumption, has been a dominant topic. Especially the low costs of solar energy have led to a positive reaction from investors, leading to a considerable pipeline of new solar investments and to further activities with regards to grid connection access.

The preparation of the recovery plan allowed the government to tackle many of these challenges directly. It moved interim energy transition targets from 2025 to 2023 and puts a strong emphasis on territorial cohesion, with some green investments being prioritized for municipalities with fewer than 5,000 inhabitants. Ahead of the release of the national recovery plan, the government had already published a separate €3.8bn recovery plan targeted specifically at the automotive industry, which is not included in our quantitative analysis due our focus on the RRP.

Context indicators[1]	**Spain**	**EU average**
GDP (2020)	**1121.7 bn €**	
GDP (per capita, 2020)	**23690 €**	**29660 €**
Debt (% of GDP, 2019Q4)	**95.5 %**	**77.6 %**
Debt (% of GDP, 2020Q3)	**114.1 %**	**89.8 %**
Unemployment Rate (December 2019)	**13.7 %**	**6.5 %**
Unemployment Rate (August 2020)	**16.7 %**	**7.7 %**
Unemployment Rate (December 2020)	**16.2 %**	**7.5 %**
Real GDP forecast for 2020	**- 11 %**	**- 6.8 %**
Real GDP forecast for 2021	**+ 5.6 %**	**+ 3.7 %**
EU recovery funding (grants only)	**69.5 bn €**	

KEY FOCUS AREAS OF THE SPANISH RECOVERY DEBATE AND THE RECOVERY PACKAGE

Spain's national recovery plan is built around four cross-cutting objectives: the green transition, the digital transition, social and territorial cohesion and equality. When presenting the priorities of the recovery plan, Prime Minister Sánchez also stressed the need for an alternative growth model and emphasized that the recovery plan builds on the Sustainable Development Goals. The government also plans to use the recovery program to fill an existing gap in public investments, bringing them closer to the level of other EU countries.

While some civil society organisations criticized a lack of transparency and participation of civil society actors in the drafting process of the plan, the plan itself was well received overall. The earlier and separate €3.8bn recovery package for the automotive sector was met with more criticism from NGOs, as green groups criticized that the emissions threshold accepted as part of this scheme (120g CO_2/km) exceeds current EU performance standards (95g CO_2/km).[2]

During the early preparation phase of the plan, industry actors were split: a green growth group comprising over 50% of the IBEX35 listed companies was advocating for a green recovery[3] and supporting the government's recovery plan[4], while a separate industry alliance did not advocate for a green recovery, emphasizing compensations for CO_2 charges and tax reductions instead.[5]

FINANCING AND ADDITIONALITY OF SPAIN'S RECOVERY PACKAGE

Spain's €69.5bn Recovery and Resilience Plan is almost fully financed through the EU Recovery Facility, making use of the full amount of grants that is available to Spain, but not the loans.[1] In addition, Spain is drawing on other funds, such as REACT-EU, to finance short-term crisis response measures. The 2021 state budget already earmarks €27bn in spending for this year, and the government has confirmed that it is planning to make those investments even if there should be delays with the disbursement of funds through the EU Recovery Facility.[6]

GOVERNANCE OF THE RECOVERY PACKAGE

The recovery package is linked to the targets defined in Spain's National Energy and Climate Plan. The Spanish recovery package also includes an acceleration of energy transition targets included in the National Energy and Climate Plan from 2025 to 2023. Furthermore, a longer-term predictability on the implementation of the recovery plan is provided by existing frameworks, including instruments like the long-term strategy, the hydrogen roadmap, or the new renewable energy investment legal framework.

According to the government, the plan achieves a 39% share of climate spending, while the analysis based on our methodology[2] identifies 31% green spending. The key reason for this divergence is that, based on our methodology, we only provide the 'positive' 40% climate coefficient to some measures which the government seemingly fully calculates into the climate spending share. Examples for this include investments in mobility or agriculture, where it is not clear that only best-in-class solutions will be supported, or where the information that would be necessary for a fully 'very positive' assessment based on our methodology is missing given the lack of detailled information on some measures. We also note that it is difficult to fully reproduce the government's official calculation of the climate spending share, with some assessments being in need of further explanation, such as the allocation of the best climate category to investments in the sport sector.

Allocating and spending the significant amounts of funding that are available within a short timeframe is perceived as a major challenge, and the Spanish government has advocated for a loosening of EU state aid restrictions to enable a faster public procurement process.[7] Small and medium enterprises as well as regional governments have criticized a lack of information regarding the planned implementation of the Recovery Plan, as they do not have access to information that would be necessary for being prepared for the disbursement and use of the funds. Furthermore, smaller companies have criticized that strategic investment projects appear to have been defined in a mostly top-down way, with smaller companies having relatively little access to the process.

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[1] The plan's component 22, on care economy and social inclusion, also draws on €1bn of funding from outside the RRF. That €1bn is not included in our quantitative assessment due to our focus on the RRF.

[2] Green Recovery Tracker (2021). Methodology

NOTEWORTHY SHORT-TERM LIQUIDITY AND STATE AID DECISIONS ("COMPANY BAIL-OUTS")

The Spanish government is providing government guarantees with a total envelope of up to €100bn for firms and self-employed professionals, which do not have any climate conditionalities attached to them. The government has also provided a €1bn loan to IAG, the holding including Iberia, Spain's flagship airline, and Vueling, a low-cost airline, without any environmental conditions being attached to this loan. Furthermore, it has set up a €10bn fund to support strategic companies, which also does not include any climate conditionalities.

DEEP DIVE: THE MOST IMPORTANT RECOVERY MEASURES AND HOW WE ASSESS THEM

The most important components with an effect on the green transition are:

- An action plan on mobility in urban environments (C1, €6.5bn), which we assess as positive due to its support for zero-emission vehicles. As some of the funding available through this measure will likely also support "low-emission" vehicles, i.e. not best-in-class solutions with regards to the green transition, we do not assess this component as very positive. Furthermore, we note that the plan's funding for the mobility sector is strongly focused on the automotive sector, with little to no support for other mobility solutions.
- A plan for housing renovation and urban regeneration (C2, €6.8bn), which we assess as very positive. This assessment is conditional on the presentation of specific standards and targets to be achieved through the renovation measures.
- Further mobility investments (C6, €6.7bn), which we assess as positive due to its support for TEN-T rail corridors and sustainable transport, but not as very positive due to ambiguities on what specifically will be supported through some measures included in the component.
- Investments into renewable energy deployment and integration (C7, €3.2bn) which we assess as very positive.
- A renewable hydrogen roadmap (C9, €1.6bn) with the objective of developing and deploying renewable hydrogen. We assess this measure as very positive due to its focus on renewable hydrogen. However, this assessment is conditional on only renewable hydrogen receiving support, and we note that there are some concerns that also non-renewable forms of hydrogen may receive support through this measure, which would necessitate a less positive assessment.
- A Just Transition Strategy (C10, €0.3bn) which will support the implementation of just transition agreements in energy transition zones and investments in just transition measures. We assess this measure as positive as it makes an indirect, important contribution to the green transition.
- Investments into the industry sector and a 2030 Industry Strategy (C12, €3.8bn) which we categorize as having a likely climate effect that is not assessable, as the decarbonization of the industrial sector is a crucial next challenge in the green transition, but the component itself does not include specific green targets.

- Investments into science, technology and innovation (C17, €3.4bn) which we assess as positive as the component includes some research projects on environmental topics.

The package furthermore contains a significant number of measures that do not directly relate to the green transition but are still important and potentially transformative, such as:

- Investments into the modernization of public administrations (C11, €4.3bn).
- Investments into digital connectivity (C15, €4bn)
- A National Digital Skills Plan (C19, €3.6bn)

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