

3.1 Regulatory Environment

European Union

- The European Commission published the *Clean Energy for all Europeans* package in November 2016. Among the more far-reaching measures are those concerning the market design reform, the safety of supply framework and the development of the role of a more active consumer. Proposals have also been submitted to modify the frameworks for renewables and for energy efficiency, in line with the 2030 goals. The process will end during 2018.
- The European Commission, Parliament and Council approved a reform of the Emissions Trading Scheme Directive in 2017. The main developments are a larger cut in new emission rights each year and the creation of a mechanism to stabilise the price of carbon (absorbing surpluses of emission rights in the market).
- In November 2017 the European Commission published its *Clean Mobility Package*, which develops measures to reduce emissions from the transport sector during the 2020-2030 period and adapt European industry to compliance with the Paris Agreement without losing global market share. This process will begin in 2018. It proposes a more stringent emissions standard and encourages the purchase of clean vehicles by public bodies.
- The technical standard to implement the COP21 agreements was developed in 2017. These agreements involve a multilateral commitment to implement emission reduction measures. It should encourage investment in low-carbon technologies.

Spain

- After a strong tariff deficit during the 2005-2013 period and a slight surplus between 2014 and 2016, the system has reached financial balance. A Ministry Order freezing electricity usage charges for 2018 was published in December 2017.

- In 2017 the Government began preparation of a future *Climate Change and Energy Transition Act*, with a public participation process and the creation of a Commission of 14 experts to advise on potential energy scenarios. There has also been an announcement of a review of the generation capacity payment mechanisms during 2018, and work has begun on a draft Royal Decree that would regulate the shutdown of plants.

United Kingdom

- On March 29, 2017 the Prime Minister Theresa May officially announced the exit of the United Kingdom from the European Union. Future trade agreements have still not yet been determined, but significant changes are expected in the energy regulatory environment in the short term.
- In November 2017 the government published its *Industrial Strategy*, which is largely based on the vision of a decarbonised economy, wagering on the promotion of electric vehicles, the development of smart systems and a reduction in the costs of energy.
- 2017 saw reforms in the capacity market to ensure a fair auction for all participants. These reforms include:
 1. The decision of Ofgem to reduce hidden subsidies for small diesel generators due to transport charges.
 2. The decision of the Department for Business, Energy and Industrial Strategy (BEIS) to modify the methodology for allocating the costs of the capacity market.
 3. The decision of the BEIS to modify the correction of available capacity in the capacity market for batteries, thereby reflecting their actual contribution to the system.

United States and Canada

- On August 4, 2017 the Administration notified the UN of the intention of the United States to withdraw from the Paris Agreement. However, a bipartisan climate alliance (coalition of 14 states and the territory of Puerto Rico) has been formed in the country, announcing its intention to meet their part of the U.S. commitment to reduce greenhouse gas emissions.
- Year-end 2017 saw approval of the Tax Cuts and Jobs Act, which reduces the corporate income tax to 21% as from 2018, maintains the tax incentive (PTC/ITC) system for renewables, eliminates the Alternative Minimum Tax (AMT) and includes a Base Erosion Anti-Abuse (BEAT) Tax.

Brazil

- The Ministry of Mines and Energy has launched a public consultation to analyse the liberalisation of the retail market and improve the Brazilian energy industry in order to carry out a revision of the sector and mitigate the risks facing the players involved.
- The government has taken measures to facilitate the privatisation of certain electric distribution companies forming part of the Eletrobras group.
- Due to the decrease in demand and the migration of customers to the free market, distributors found themselves to have contracted for an oversupply of energy. The regulatory agency and the ministry have approved various regulations to minimise the effects of the 2017 oversupply in the future.
- There have been a number of public consultations in order for the government to make decisions in order to reduce the existing litigation in the Brazilian electricity industry, mainly generated by disputes between hydroelectric generators and the government regarding hydrologic irrigation.

Mexico

- 2017 saw continued development of the energy reform, which encourages private investment in the generation, sale and supply of electric power. It also promotes raising the share of clean energy to 35% by 2024 through the creation of a clean energy certification system that will determine supply obligations.
- One of the most significant milestones of this reform was the publication in 2017 of a new calculation method for the regulated tariff that applies to basic supply. It will be implemented progressively during the first months of 2018, except for domestic consumption, which will remain with the old methodology indefinitely.
- A Clearing House was created in 2017 to serve as a counterparty between buyers and sellers in auctions, reducing the credit risk arising from the liberalisation of the wholesale market. There was also a third long-term Auction, which will add 2.6 GW of new capacity, and the first medium-term Auction, which will award power and capacity contracts in 2018 with terms of 1 to 3 years.
- The liberalisation of the natural gas market commenced in 2017 in order to promote equitable conditions for the participation of new traders in the market and to protect the interests of natural gas end users in the country.