

3.5 Regulatory Positioning

Iberdrola shares its Regulatory Positions, which are valid for all countries and businesses, as part of its desire for transparency and in accordance with the *Stakeholder Relations Policy*. Iberdrola provides public access to complete information, along with informational videos, on its website.

General Regulatory Positioning

Decarbonisation of the economy

- Renewables and firm capacity facilities require remuneration schemes that complement the price of electricity.
- A strong signal that represents the price of CO₂ is required.
- All energies (gas, electricity, petrol) should assume the cost of their emissions and of the renewables that must be developed to offset such emissions.

Electricity sector of the future

- The grid is the backbone of the electricity sector of the future.
- Network tariffs must be upgraded.
- The climate action costs should be removed from tariffs to encourage competition between energy types and between suppliers of electricity.

All sectors should contribute to the decarbonisation of the economy according to the environmental harm they produce.

Electrification of the economy is key to achieving decarbonisation; it is therefore essential for tariffs to exclude costs other than the cost of supply.

Internal consumption

- Distributed generation and internal consumption from renewable energy sources contribute to a reduction in emissions and help create a more sustainable system.
- Distributed generation should make overall economic sense:

The net balance or excess premiums could bring economic sustainability problems in the electricity system.

Rates should be upgraded, so all customers pay for grid costs under equal conditions.

- Distributed generation is not a source of efficiency (it doesn't reduce the amount of energy consumed), but rather an electricity production source.

Climate action

- Electrification of the economy is the path to achieving its decarbonisation.
- The electricity sector is the energy vector that can incorporate renewable energies most effectively, which is why it is the sector that has made the biggest effort to develop them as well as to meet emission reduction goals.
- The penetration cost of renewable energies should be shared between electricity, gas, petrol and diesel oil, under the "polluting party pays" principle.

Market design

- The current energy markets in Europe were designed 20 years ago.
- The challenge is decarbonisation. By 2050 there will be a high penetration of renewable energies and a very low use of thermal power plants, which will exist only to guarantee supply if renewable resources fail.
- Iberdrola supports a remodelling of the market design, which:
 - Introduces revenue stabilisation mechanisms for renewable energies.
 - Introduces capacity mechanisms for power plants to guarantee firm capacity.

The price of CO₂

- To progress with decarbonisation, all energies (gas, electricity, petrol) should assume the cost generated by their emissions.
- The European Emissions Trading System (EU ETS) is a key element to reduce emissions more efficiently.
- Currently, the price of CO₂ in the EU ETS does not support investment in clean and/or low-carbon technologies.
- Iberdrola proposes a minimum price for emission rights of €20-30/t CO₂.

The market must evolve to encourage and maintain investments in both firm generation and flexible generation like renewable generation. Properly designed auction mechanisms are a good regulatory practice.

A signal is required to encourage the replacement of carbon-based generation with other energies.

Value of the grid

- The grid provides value to its users and increases the efficiency and safety of the system.
- Grid tariffs must be upgraded, avoiding cross-subsidies, and sending proper price signals to each grid user type.
- The grid remuneration model should incentivise the optimum use of both existing and new infrastructures, as well as distributed resources.

Electric vehicle

Given the environmental sustainability of electricity generated from renewable sources, which will constitute the majority of primary energy in the coming decades, the electric vehicle is the most efficient and viable way to transform transportation.

Iberdrola supports the electrification of transportation. This alternative this alternative requires for its development:

- Reducing economic and regulatory barriers within a level playing field.
- Ensuring that electric vehicles represent a reasonable share of the total number of new vehicles purchased.
- Ensuring the deployment of a basic charging network on public roads.

The grid is a key element for evolution towards the electricity sector of the future, with increased development of new technologies and distributed generation.

The regulation of distribution should incentivise technological innovation and digitisation of the grids of the future.

Deployment of the electrical vehicle requires a basic charging network that is trusted by potential users.