3.1 Regulatory Environment

European Union

- The publication of all rules of the *Clean Energy for All Europeans Package* concluded in June 2019. It includes goals to be reached by 2030, both for renewable energy (at least 32% of final EU gross consumption of energy) and energy efficiency improvements (32.5% for the entire Union).
  There was also a revision to the *Regulation* and *Directive on the Internal Market in Electricity* to improve the operation thereof, set the foundations for the transition towards a cleaner energy model, and give consumers a more active role.
- Adoption of the *Clean Mobility Package*, which develops measures to reduce emissions from the transport sector during the 2021-2030 period, concluded in 2019. The minimum goals for acquisition, leasing and hiring of clean vehicles by the government have been set out in a Directive and Regulations have been approved with goals to reduce emissions for new cars and vans by 37.5% and 31%, respectively, by 2030 compared to 2021 emissions, and by 30% for new heavy goods vehicles compared to 2019 emissions.
- In December 2019, after the inauguration of the new European Commission, there was publication of the Communication on "A Green New Deal", which consists of a package of measures to be implemented in the next 5 years to transform the European Union into a competitive and efficient economy in the use of resources and with net zero emissions by 2050, promoting a fair and inclusive process for this purpose. The related Investment Plan will mobilise at least 1 billion euros from the EU budget and related instruments in sustainable investments during this decade.
  The legislative development thereof will take place between 2020 and 2021, beginning in March 2020 with the proposed European "Climate Law" that will enshrine a target of reaching net-zero carbon by 2050. This target would also increase the reduction in emissions by 2030 to -50/-55% and would require the revision of all existing legal provisions as well as the development of new laws.

Spain

- In February 2019 Spain sent to the European Commission its first draft of the *National Integrated Energy and Climate Plan* proposing ambitious national goals for decarbonisation of the economy by 2030, mainly through electrification with renewable energy. It has been supported by Brussels and applauded as an example of good practices. The final document must be approved in 2020.
- As a result of the transfer of powers to the National Markets and Competition Commission (*Comisión Nacional de los Mercados y la Competencia*) (CNMC) pursuant to RDL 1/2019, it has been working on a number of Circulars on issues relating to the market, network remuneration and tolls.
- The government still needs to develop the legal provisions within its purview, including the methodology for calculating and assigning charges and the Statute for Electrointensive Customers (*Estatuto de electrointensivos*).

United Kingdom

- In June 2019 the British government amended the Climate Change Act to introduce a new legally binding objective of "net zero emissions" of greenhouse gases by 2050 (the prior goal was a reduction of at least 80% compared to 1990). At the same time, the Scottish government established a "net zero emissions" goal by 2045.
- After the general elections of 12 December 2019, the new Johnson government approved in Parliament the application of the EU bill for the Withdrawal Agreement revised with the EU-27 in October 2019. The United Kingdom left the EU on 31 January 2020, and negotiations regarding the future relationship between the United Kingdom and the EU are expected to move forward during the year. The British government maintains its contingency plans to deal with any risk of a "no deal" situation by the end of 2020, including a plan for the energy sector.

United States and Canada

- On 16 July 2019 the Senate ratified a protocol to the tax treaty between the United States and Spain. The new protocol eliminates the 10% withholding tax on dividends, reduces taxes on interest, royalties and capital gains, and adds provisions for more expeditiously handling tax disputes through binding arbitration. It entered into force on 27 November 2019.
- In June 2019 the Environmental Protection Agency (EPA) published the *Affordable Clean Energy* (ACE) rule, replacing the 2015 *Clean Power Plan* (CPP) that never became effective. It allows the states to develop their own plans to reduce GHG emissions for existing coal plants based mainly on efficiency improvements at the plants and the application of new technologies. The states have three years to develop and submit their plans. This rule is being challenged in the federal courts by more than 20 entities, and a decision is not expected before 2020.
- In 2019 some states like Maryland, New York and Connecticut have updated their long-term offshore wind objectives, thus committing to the development of this technology.

Brazil

- The Ministry of Mines and Energy (MME) diagnosed the needs for modernisation of the electricity sector during 2019. It has analysed everything from the formation of prices in the market in the short term to capacity mechanisms to encourage the expansion of generation and the sustainability of distribution. Beginning next year, it is expected that measures will be developed allowing for implementation of the required changes.
- In August 2019 the MME confirmed the schedule for implementation of hourly spot prices in the Brazilian market. Beginning in January 2020 the hourly spot price formation model will be used to guide the programming of the system's operation, although it will not be used for the formation of settlement prices in the short-term market until 2021.
- The regulator has approved an 8% increase in the Energy Development Account (CDE) budget to R$21.9 thousand million for 2020. This account is used to finance, among other things, programmes like the *Light for All Programme* to aid vulnerable groups or support for buying fossil fuels by the generators in isolated regions.
- Legislative and court initiatives continued during 2019 to reduce the litigation in the Brazilian electric sector due to disputes between the hydroelectric generators and the government regarding hydrological risk. Given that certain generators continue to be supported under court measures exempting them from payment for the costs of hydrological risk between July 2015 and February 2018, a deficit is occurring in the short-term market settlements, and therefore in the income of the distributors. Neoenergia has a net creditor position.

Mexico

- In March 2019 SENER changed the Terms for the strict legal separation of CFE. On 25 November the Terms were published to define the generation assets and contracts that the CFE must reassign to each of the Generation Subsidiaries (*Empresas Productivas Subsidiarias de Generación*).
- On 26 November 2019, the *National Investment Agreement in Infrastructure by the Private Sector,* with an investment of 859 thousand million pesos over the six-year period in 147 private investment projects was approved in order to maintain the confidence of domestic and foreign investors. 6 electric energy projects with an investment equal to 63 thousand million pesos will be announced in 2020.