



## 3.1 Regulatory environment



### United Kingdom

- Following the United Kingdom's formal exit from the EU on 31 January 2020, negotiations on its future relations with the EU continued throughout the year, resulting in a trade and cooperation deal (including a section on energy) shortly before the end of the transition period on 31 December 2020 and the effectiveness of its exit.
- After the government amended the Climate Change Act in 2019 to introduce a new legally binding objective "net zero emissions" target for 2050, it announced in December 2020 a Nationally Determined Contribution under the Paris Agreement, to reduce the UK's emissions by at least 68% by 2030 compared to 1990 levels. To make progress with this scale of ambition, the UK Government published in late 2020 a 'Ten Point Plan for a Green Industrial Revolution' and an Energy White Paper which start to set out long-term decarbonisation plans for the UK.



### Spain

- In January 2020 Spain sent to the European Commission its *National Integrated Energy and Climate Plan (Plan Integrado de Energía y Clima)* (PNIEC) proposing ambitious national goals for decarbonisation of the economy by 2030, which has been well received by Brussels.
- A *Draft Law on Climate Change and Energy Transition*, a tool for incorporating the objectives of the PNIEC into the legal system, has begun to be processed, and the *2050 Decarbonisation Strategies and the Renewable Hydrogen Roadmap*, among others, have been published.
- To offset the effects of the pandemic, the government has published various legal provisions to protect domestic consumers, the industry and companies, including compensation to reduce the impact on the electricity sector.
- The CNMC has published the Circular on toll methodology. The application of the new access tariffs is pending government approval of the methodology for calculating and allocating charges.
- The Ministry has approved the Royal Decree regulating access and connection to the network, though the CNMC has still to publish the Circular establishing capacity assignment standards, among other things.
- A hearing was held on the draft bill creating the National Fund for the Sustainability of the Electricity System (*Fondo Nacional para la Sostenibilidad del Sistema Eléctrico*) (FNSSE), which will allow for the cost of the policies to promote renewables, cogeneration and waste (RECORE) to be shared among all energy sources (oil, gas and electricity).



### European Union

- In the framework of the Communication on *A European Green Deal*, which is a package of measures to be implemented over the next 5 years to efficiently transform the European Union into a carbon-neutral economy by 2050, consultations and studies have been launched to modify the legislation and in particular to set a legally binding zero net emissions target for the EU by 2050. This will strengthen the 2030 emission reduction target to at least 55%, as adopted by the European Council in December 2020, (as compared to the current 40%), and the targets for renewable energy and energy efficiency (currently 32% and 32.5%, respectively) will subsequently be revised.
- In parallel, the Commission has published various strategies for the Green Deal's regulatory priorities. These include the *New European Industrial Strategy* (reforms to state aid, determination of key projects of European interest and a border carbon pricing adjustment mechanism), *Renovation Wave* (energy renovations in buildings), *Hydrogen Strategy* (objective of 40 GW of electrolysers by 2030), and *Strategy on Energy System Integration* (commitment to electrification and the efficient development of clean hydrogen in niche sectors), *Offshore Wind Strategy* (objective of 60 GW installed by 2030, infrastructure planning, and market integration model) and the *Offshore Renewable Energy Strategy* (electrification of transport, with 30 million zero-emission cars by 2030).
- The launch of the debates and studies coincided with the COVID-19 crisis and the EU's response. A *Recovery Plan* has been approved that will involve €750,000 million to support the countries most affected by the crisis (Spain is to receive approximately €140,000 million) through direct aid and credits, especially for the energy (Green Deal) and digital translations.



## United States and Canada

- On 7 November 2020 Joe Biden was declared the winner of the US presidential election, defeating Donald Trump, and was sworn in as President on 20 January 2021. The Biden administration has set out an ambitious agenda to address what they call the climate crisis, and is moving quickly using executive orders and other executive powers. In the first days in power, the administration returned to the *Paris Agreement*, revoked the executive order allowing the Keystone XL oil pipeline, set goals for a carbon-free electricity industry by 2035, began reshaping the way environmental impacts are considered, and began to reverse previous regulations that are inconsistent with these goals.

The administration also plans to leverage the federal government's purchasing power to support the use of electric vehicles, renewable energy contracts and the development of new technologies. Following this initial activity, the administration will face challenges, as any legal changes will have to go through the regulatory process.



## Mexico

- During 2020 changes in energy policy and regulation have been promoted in the country that are contrary to foreign private investment and the development of renewables. In this context:
- In May 2020 the CRE approved an increase in the transmission rates for renewable and efficient cogeneration plants (transition stamp), and in the transmission rates for conventional technologies.

In May 2020 two regulations on reliability were published. Due to the pandemic, the National Energy Control Centre published a *Resolution to Guarantee the Reliability of the National Electricity System*, establishing strategies and measures prohibiting pre-operational tests of wind and photovoltaic plants. The Energy Secretariat subsequently published a *Policy on Reliability, Security, Continuity and Quality in the National Electricity System*. The Policy provides for changes regarding hedging contracts, existing generation permits and new requests, and new interconnection requirements.

- In October 2020 the CRE published a modification of the rules for self-supply and cogeneration companies dedicated to Electricity Generation. It prohibits the registration of load centres that have entered into a basic supply contract under the Electricity Industry Law (*Ley de la Industria Eléctrica*) (LIE), preventing changes in beneficiaries. It also restricts the rights of permit-holders to return to the previous system after they have migrated to the Wholesale Electricity Market.



## Brazil

- The COVID-19 pandemic affected all segments of the electricity market, giving rise to various government measures to ensure supply and avoid the financial collapse of the industry. The most significant measure was the creation of a finance mechanism in the form of a bank credit known as the COVID Account, guaranteed by tariff credits to the distributors, which will allow for maintaining payment flows between distribution, transmission and generation companies.
- Resolution No 895, which sets out the regulations under Law 14,052/20 providing for the renegotiation of the hydrological risk assumed by the hydro generators since 2012, was approved on 3 December 2020. The outstanding financial value will be quantified and reimbursed by the granting of a concession. Once all required actions stipulated in the ANEEL timetable have been completed, the short-term market, where there had been a deficit in the settlements, will return to normal operation.
- The short-term market price will be hourly (PLDh) beginning in January 2021.