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SPAIN BEHIND THE SCENES

UNPACKING DEEPER TRENDS TO FORGE A WAY FORWARD FOR CLIMATE ACTION

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The snap elections of July 2023 in Spain and their unexpected outcome have created major political uncertainty. Regardless of the composition of the next government, Spain is set to have a rocky legislature with every decision likely to be subjected to arduous negotiations. Examining the deeper trends steering the country over the past decades gives us the keys to ensure Spain's energy transition stays on track.

This briefing identifies four long-term trends in Spain's political, economic and social life, which are likely to endure independently of the government in power:

- > a clean economy superpower
- > a growing urban/rural fracture line
- > a complex governance system
- > a country Europhile at its core.

These trends indicate that the following activities can support Spain's green transition and create positive impact:

- > **Bring together** Spanish civil society organisations and a wide range of actors who champion climate ambition.
- > **Build bridges between Madrid and Brussels** to relay Spanish voices.
- > **Share best practice** from across Europe, disseminating insights on overcoming similar barriers.



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Background: A country in perpetual transition

Transition is a defining feature of Spain, and key to understanding the national dynamics stemming from the deep trends explored in this briefing.

Spain's energy transition picked up speed over a decade ago, following a democratic transition that started in 1975. In parallel, successive crises – independence movements, the 2008 financial crisis and the pandemic – triggered a surge in populist groups and a rise in extremes. The fragmentation of votes has led to entrenched positions. Consensus is eroding as existing fracture lines deepen further.

Against this turbulent background, what are the implications of the current political instability for the energy transition in Spain?

The research unveiled strong currents that influence Spain's political, economic and social life and that are likely to remain independent of the government in power.

Methodology/Approach

This briefing distils insights gained through in-depth research into the dynamics of decarbonisation in Spain, using political economy analytical tools developed by E3G to assess threats and opportunities presented by the low-carbon transition in given countries. An initial desk-based research phase collected hundreds of socio-economic datapoints to understand what constructs the country's core national interests. These initial findings were tested and triangulated through in-country interviews involving a wide range of stakeholders: industries, academia, civil society organisations, and government.

Four long-term trends shaping the country

From the outset of Spain's democratic transition, its political elite adopted a decidedly forward-looking strategy. For some historians, the great leap forward in modernisation was a way to both overcome an inferiority complex rooted in the political elite's perception of Spain as a backward country,¹ and put aside the

¹ Low literacy levels with compulsory education enforced later than most other developed countries, and a late shift from agriculture to manufacturing as the largest share of GDP contributed to that stance. Real



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ghosts of a very recent past.² Today, this march onward is reflected in Spain's ambition – and formidable potential – to become **a clean economy superpower**.

The massive deployment of renewable energy needed to fulfil this ambition risks being hindered by **a stark urban/rural divide**. This itself is exacerbated by significant climate risks: a recent study found that over half of the territory that is exposed to high depopulation rates is also at high risk of desertification.³

Meanwhile, multiple disparities between the autonomous regions, particularly in terms of infrastructure and resources, complicates the implementation of the transition on the ground. This is made all the more difficult by **a complex governance system**.

Across this fragmented political and social landscape, Spain is **Europhile at its core** and an active advocate of further EU integration. At the domestic level, the higher trust in the European Union (EU) compared to national institutions is palpable. Externally, Spain is a pro-EU anchor that could steer the Union away from the recent feuds between France and Germany.

A clean economy superpower

Spain is the fourth largest economy in the European Union, and now second only to Germany in terms of installed renewable power capacity and wind generation. Indeed, the country pioneered the early deployment of renewable energy.

Thanks to this head start, Spain is on the brink of a historical achievement. Analysts expect it to surpass all big four EU economies by generating over 50% of its electricity from renewable sources in 2023.⁴ The race goes on with a new target to raise the share of renewables in electricity generation to 81% by 2030.⁵ With this continuous increase in wind capacity, followed by solar in recent years,

Instituto Elcano, October 2018, **Forty years of Democratic Spain**; Prados de la Escosura, L. and Sanchez-Alonso, B., February 2020, **Economic Development in Spain, 1815–2017**. Also see Prof. Mercedes Yusta Rodrigo in **Spain Heads Up Europe**, July 2023. This reading of history is now contested as some suggest it is exaggerated: Financial Times, 26 May 2023, **Spain's century: from dictatorship to modern European democracy**

² In 1975, Spain was emerging from 40 years of a brutal dictatorship preceded by a civil war.

³ Observatorio Social de la Fundación "la Caixa", December 2022, **La España desertificada**

⁴ Bloomberg, 7 June 2023, **Spain Set to Generate More than 50% of Its Power From Renewables**

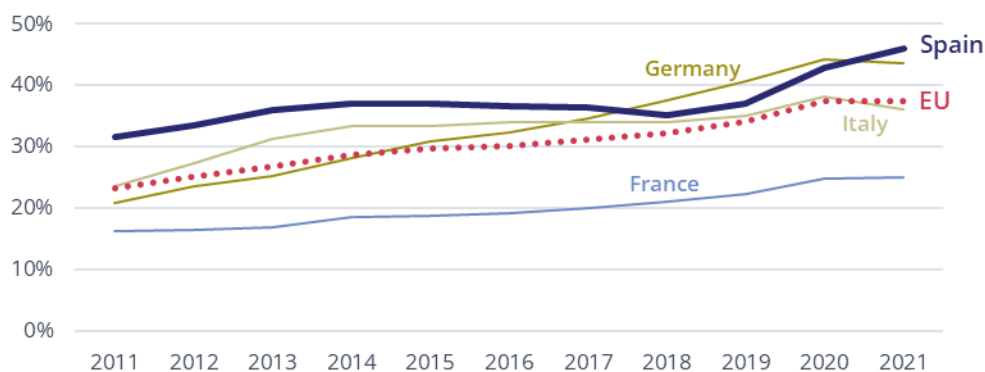
⁵ Global Factor, 2023, **Spain presents the new National Integrated Energy and Climate Plan (PNIEC) 2023–2030**



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Spain has gone from being a net importer to a net exporter of energy, thus consolidating its leadership position in global energy markets.

Share of renewable energy sources in electricity, 2011–2021



Source: Eurostat (nrg_ind-ren), 2023



Figure 1: Share of renewable energy sources in power generation (percentage).
Data source: Eurostat, September 2023. An E3G graph.

The country also aims to capitalise on this high penetration of renewables to become a green hydrogen hub, with a focus on hard-to-abate sectors. A flagship measure of this ambition is the BarMar project, an undersea pipeline agreed between Spain, France and Portugal. When it goes online in 2030, it will carry 10% of Europe's projected consumption of green hydrogen.

This ambition is also reflected at the domestic level. A former mining centre, Puertollano, is being converted into Spain's "green hydrogen capital".⁶ The small town is home to the first green steel mill in Spain, and the largest green hydrogen production factory in Europe. Additionally, Spain boasts the EU's largest LNG storage and regasification terminals – though it must be noted that the possibility of retrofitting those to import hydrogen is uncertain.

With over €18bn of investments in the pipeline for green hydrogen alone,⁷ the vast economic opportunities unlocked by the transition in Spain seem to counter even climate-sceptic narratives when it comes to making practical choices. There

⁶ Le Monde, 10 May 2023, **La fièvre de l'hydrogène "vert" gagne l'Espagne**

⁷ Bloomberg, 4 July 2023, **Spain may be moving too fast in its green hydrogen push**



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is a tangible appetite across the political spectrum to leverage these formidable assets.⁸

Now reaping the fruits of its substantial investments over the past decade, Spain plans to lay the foundation for a full energy transformation in the coming decade. In this endeavour, it can count on the support of Iberdrola, the global leader in wind energy and Europe's largest electricity utility,⁹ and EU funds – the Commission estimates that an additional investment of €113bn in renewables and hydrogen infrastructure is needed to achieve the 2030 goals. Spain's ability to draw on its own financial resources to fund the transition will hinge on the much-needed reform of the EU's fiscal rules. Additionally, some green projects could be covered through the Recovery and Resilience Funds allotted to Spain as a huge part is yet to be allocated before August 2026.¹⁰

A transition still to be shaped

There is little doubt that the transition will take place in Spain. The main question is: Which transition?

There is general support for the transition among the population.¹¹ Yet, for historical reasons, the environmental movement is not as big as one might expect, given the country's size, population, economy and the serious climate risks it faces.¹² This vacuum leaves the way clear for vested interests to shape the transition.

Increased polarisation among the population, which urban/rural divide, risks becoming a fracture line if all voices are not taken into account.

⁸ See for instance the cross-party debate organised at the end of June by the Spanish Union of photovoltaic energy organised: Energías Renovables, June 2023, **El minuto de oro fotovoltaico de los partidos políticos**. A previous meeting held in March 2023 also highlighted the political consensus on the importance of the clean economy for Spain: El Periódico de la Energía, March 2023, **Los partidos políticos destacan la "extraordinaria" posición de España en energías renovables**

⁹ European Investment Bank, 12 June 2023, **Spain: Iberdrola signs €1 billion loan with EIB to accelerate energy transition in Europe**

¹⁰ El Mundo, 1 June 2023, **España solo ha gastado efectivamente 8.423 millones de los fondos Next Generation**

¹¹ El Mundo, 4 February 2022, **El 79% de los españoles se muestra a favor de las renovables y 40% rechaza las nucleares**

¹² Manuel Jiménez- Sánchez, September 2007, **The Environmental Movement in Spain: A Growing Force of Contention**



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A stark urban/rural divide

Spain has one of the most unequal population densities in the world. Only 13% of the land is inhabited, with the highest density found in urban centres and along the coast (Figure 2).¹³ Together, Madrid and Barcelona concentrate a third of the country's GDP. A telling term has been coined to refer to the rest of the country: "España vacía", or "empty Spain". In these depopulated areas, there is a strong pushback against large-scale renewable energy projects.



Figure 2: Population in municipalities with more than 10,000 inhabitants, 2021. The map shows the unequal population density in Spain, with most of the population concentrated in urban centres and along the coast.

Source: National Geographic Institute.¹⁴

Massive solar or wind farms are seen by some as a form of "domestic colonialism". Over the years they have been deployed without good public

¹³ El Orden Mundial, 7 July 2021, [El mapa de la densidad de población en España](#)

¹⁴ National Geographic Institute, 2021, [National Interactive Atlas of Spain](#).



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consultation – short timeframe, too technical – and without generating many local jobs. In other words, rural residents consider that their land is being exploited for the sole benefit of producing electricity for urban areas. As a result, energy communities have limited support in these regions, with growth mainly driven by the public sector.

Yet, this opposition to renewable energy is essentially a rejection of the process and implementation, not of renewable energy itself.¹⁵ The motto “Renovables sí, pero no así” (renewables yes, but not this way), reflects this paradoxical position. Indeed, 79% of the population was in favour of renewable energy in polls conducted in 2022.¹⁶ If the opportunity to carry out a just transition in rural areas is not seized, the gas industry will step in and act as a barrier to the deployment of renewable energy.¹⁷

This profound fracture line is exacerbated by an array of worsening climate risks.

Sizzling heat, scorching divides

Spain is facing more frequent and intense heatwaves, leading to water scarcity, wildfires and desertification. 75% of Spain’s surface is threatened, while seven million people are anticipated to be at risk of water scarcity, with half of the population exposed to water stress.¹⁸

One of the two main economic sectors affected by climate change is agriculture – it alone consumes 80% of the water.¹⁹ Currently, 6% of the value of agriculture production is lost every year, nearly €550 million.²⁰ By 2050, it is estimated that temperature increases will cost Spain 10% of its GDP.²¹

In the short term, rising temperatures may jeopardise the substantial increase in renewable energy planned for 2030. Both wind and hydroelectric power, which make up the largest share of the national renewable production, are subject to

¹⁵ El Salto, 7 November 2021, **Una central eléctrica llamada España vaciada**

¹⁶ El Mundo, 4 February 2022, **El 79% de los españoles se muestra a favor de las renovables y 40% rechaza las nucleares**

¹⁷ El Economista, 28 September 2022, **Primagas impulsa la transición energética de la “España Vaciada”**

¹⁸ Ministry of Agriculture, Nature and Food Quality of the Netherlands, 18 May 2022, **Climate change is already taking its toll on Spanish agriculture**

¹⁹ Le Monde, 29 April 2023, **Drought in Spain: “If water management doesn’t change, the country will become a desert”**

²⁰ Ministry of Agriculture, Nature and Food Quality of the Netherlands, 18 May 2022, **Climate change is already taking its toll on Spanish agriculture**

²¹ El País, 13 November, 2021, **La economía española entre las más vulnerables al cambio climático**



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seasonal production cycles, with maximum levels reached in winter and minimum over summer.

Facing both a drop in agricultural productivity and what they see as the loss of their land to foreign interests, rural dwellers are the main target of populist strategies seeking to exploit these social rifts to their advantage. This polarisation of Spanish society is not unique; similar patterns exist across Europe, in Italy, Poland, France and other member states. In Spain, however, it is heightened by disparities between autonomous regions, which exacerbate the polarised politics around inequality. Compounded with eroding trust in the government,²² the challenge of creating social cohesion reveals the limitations of the recent democratic transition.

A complex governance system

Spaniards have come to associate democracy with greater regional autonomy. The 1978 Constitution aimed to seal the transition to democracy after a 40-year brutal dictatorship. It paved the way for the division of Spain into autonomous regions, to end the rigid decentralisation closely associated with Franco and recognise the distinct cultural heritage of various parts of the country. Yet, deep structural issues show that the decentralised system is vulnerable.

The regionalisation of the country was a long and arduous process, with the last autonomous community established only in 1995. Increased powers and responsibilities were devolved to all regions, not only those that had historically enjoyed a degree of autonomy, such as Catalonia. One of the founding fathers of the Constitution considered this move “disastrous”.²³ This unique model of decentralisation is now being challenged.

The creation of a quasi-federal system with varying rights granted to regions has resulted in a complex and heterogenous governance structure. Combined with the limited financial autonomy granted to regions, this model of federalism hampers effective collaboration between territorial levels.²⁴ This has a direct adverse impact on the delivery of climate action at the sub-national level, despite available EU funds and the will to undertake the transition.

²² European Union, July 2023, **Standard Eurobarometer 99 – Spring 2023**

²³ New York Times, 29 October 2017, **Spain is a collection of glued regions. Or maybe not so glued.**

²⁴ Conseil Constitutionnel, October 2022, **La décentralisation en Espagne (notamment le cas de l’Andalousie)**



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Against this backdrop, an intriguing paradox emerges: while there is a clear vision for the transition at the national level, there is no clear pathway for its delivery due to the lack of a cohesive regional level and the disparities between regions. Despite these domestic challenges, the country is likely to remain committed to the EU's climate vision, which effectively acts as an anchor for the Spanish transition. European policies are all the more welcome because the country is profoundly Europhile.

A pro-European anchor

That Spain has been a profoundly Europhile country for a long time is not questioned. A recent survey revealed that close to nine out of ten Spaniards feel that they are citizens of the European Union (86%, compared to 74% in the rest of the EU), a higher figure than last year. More strikingly, 76% of the population supports greater decision making at the EU level, a much higher percentage than the 57% average across the rest of the EU.²⁵ These figures may be explained by the greater distrust Spaniards feel towards their national institutions than their fellow Europeans.²⁶

EU-powered economic growth

The main reason for Spain's legendary Europhilia, however, is the recognition of the role the EU played in propelling the country's economic development. Accession to the bloc in 1986 spurred a new era, with a continuous inflow of subsidies profoundly transforming the country. From 1994 until the 2004 enlargement, Cohesion Policy payments made to Spain grew to reach over 50% of total disbursements made EU-wide²⁷.

After the pandemic, Spain led the adoption of the Recovery and Resilience Fund (RRF), of which it received €70bn in grants and an equivalent amount in loans – one-fifth of the total amount disbursed by the EU. Spain's recovery plan – which has allocated the most to green spending among member states – reflects its commitment to climate action.²⁸ Large amounts of this envelope are available for cities and regions, but may not be entirely distributed due to the aforementioned complexity and the lack of capacity.

²⁵ European Commission – Representación en España, 23 March 2023, **Eurobarómetro: Tres de cada cuatro españoles a favor de que se tomen más decisiones a nivel de la UE**

²⁶ European Union, July 2023, **Standard Eurobarometer 99 – Spring 2023**

²⁷ **Spain Heads Up Europe**, July 2023

²⁸ Energy Monitor, 24 March 2021, **France and Spain best in class for green Covid recovery**



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Rising influence in Brussels

This love story with the EU is also apparent in Brussels where, under the lead of Pedro Sánchez, Spain's influence grew substantially.²⁹ Strategic attention is given to foreign policy. The appointment of former foreign minister Borrell as the EU's High Representative for Foreign Affairs signalled Madrid's readiness to take on the EU's top jobs. With its own diplomacy focused on Latin America and North Africa, Spain aims to open up the EU more to these territories during its presidency. In so doing, it plans to consolidate its own position as a leader in the EU and move away from the Franco-German axis.³⁰ The EU-CELAC (Community of Latin American and Caribbean States) Summit, successfully held in July eight years after the first one, was a strong demonstration of this ambition.

Spain's 59 MEPs – the fourth largest contingent – distinguished themselves from their peers by holding very strong and cohesive positions in the European Parliament, across the political spectrum. Whether in Brussels or at home, the unanimous support of Spaniards for the EU stands in contrast with the political fragmentation at the national level. The European project is a common denominator that might serve as a decisive and powerful lever for action in the coming months.³¹

Finding the way to keep Spain's transition on track

A sober look at the four deeper trends outlined above provides a map to navigate upcoming uncertainties. Spain is undoubtedly a clean energy superpower in the making and the significant economic impact of the transition seems to sway even climate sceptics' opinions. While the transition benefits from cross-societal support, different forces are set to shape the direction of travel. Populist forces in particular are betting on fractures emerging along the urban/rural divide and their tactics risk slowing down the transition. Social cohesion is made all the more challenging by the complex governance system and eroding trust in the national government. Yet, Spain's deep attachment to the European project acts as a rallying force and could prevent the energy transition from coming to a halt.

A defining question remains: what kind of transition will take place?

²⁹ Politico, 13 June 2019, **Madrid's moment**

³⁰ Prof. Mercedes Yusta Rodrigo in **Spain Heads Up Europe**, July 2023

³¹ Members of the European Parliament, Iban García del Blanco (S&D) and Antonio López-Istúriz (PP) in **Spain Heads Up Europe**, July 2023



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The four trends suggest that the following actions can create positive impact and sustain Spain's green transition:

- > **Bringing together** Spanish civil society organisations and a wide range of actors who champion climate ambition.
- > **Building bridges between Madrid and Brussels** to relay Spanish voices.
- > **Sharing best practice** from across Europe, disseminating insights on overcoming similar barriers.

About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

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