

# The new government strengthens economic and social measures in response to the energy crisis and the war in Ukraine



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On December 28th, Royal Decree-Law 8/2023, dated December 27th, was published in the Spanish Official Gazette (BOE) following its approval by the Council of Ministers. Among others it includes urgent and extraordinary measures across various industries to address the economic and social current situation derived from the energy crisis, inflation, and the COVID-19 pandemic. The aim of this new legislation is to extend, modify, or introduce provisions in areas such as energy, taxation, local financing, hydrocarbons, drought, transportation, pensions, employment, housing, infrastructure, and public administration, among others. In particular, the measures seek to alleviate the effect of the pressure on prices, protect the most vulnerable groups, promote the ecological transition, building rehabilitation and sustainable mobility, strengthen legal security and administrative efficiency, and capitalize on the opportunities presented by the Recovery, Transformation, and Resilience Plan.

The most notable measures included in the legislation may be summarized as follows:

### Economic Measures

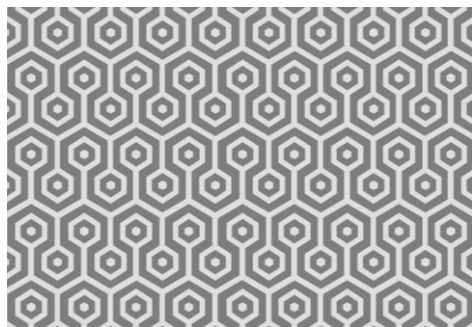
#### 1.1 Urgent measures regarding the regime of compensations and

#### commissions for early repayment of variable interest rate mortgage operations and conversion to fixed interest rate

- The Royal Decree-Law 19/2022 is amended to suspend the collection of compensation or commissions for early repayment or amortization of variable rate mortgage loans and for the conversion from variable to fixed rate until December 31, 2024.
- Law 5/2019 is amended to reduce the compensation or commission for early repayment or amortization in the case of novation or subrogation of fixed-rate mortgage loans or with an initial fixed period of at least 3 years.

#### 1.2. Measures in Payment Services and Systems

- Royal Decree-Law 19/2018 is amended to prohibit the charging of fees for cash withdrawals at bank counters for individuals over the age of 65 or with a disability of 33 percent or more.
- Amendments to Royal Decree-Law 19/2018 also establish the obligation for payment system operators, payment scheme operators, electronic payment agreement operators, payment processors, and other technical or technological



service providers operating in Spain to comply with Regulation (EU) 2022/2554 on risk management related to information and communication technologies. The Bank of Spain is assigned the responsibility for supervision and sanctioning in this regard.

### 1.3. Creation of the Co-Investment Fund, F.C.P.J.

- The Co-Investment Fund, F.C.P.J. (FOCO), a non-legal entity attached to the Ministry of Economy, Trade and Enterprise, is established with an initial endowment of up to 2 billion euros. Its purpose is to promote the attraction of foreign investment that contributes to the potential growth and resilience of the Spanish economy.
- The Fund will provide financial support in a co-investment scheme with various types of foreign investors, preferably through minority shareholdings in the capital of companies or contributions to investment funds or vehicles. It aims for temporary involvement and respects a limit of 49% public ownership in the companies or funds in which it invests.
- The management of the Fund is entrusted to the state-owned commercial company COFIDES, which will act on its own behalf and on behalf of the General State Administration. It must obtain the non-objection of an Independent Expert Panel and a Technical Interministerial Investment Committee for the approval of operations.
- The Fund is subject to the budgetary, accounting, and control regime set out in Law 47/2003, with specificities outlined in this law and in the Council of Ministers' Agreement that develops it. Its Operating and Capital Budget

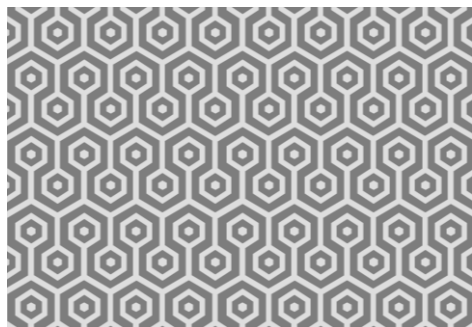
for the fiscal year 2024 is also approved.

### 1.4. Contributions to the Autonomous Resilience Fund and the InvestEU financial instrument

- The General State Administration is authorized to make contributions for the creation and funding of financial instruments that will form the Autonomous Resilience Fund. These will be managed by the European Investment Bank Group on behalf of and at the risk of Spain, with a maximum amount of up to 19.5 billion euros. The Minister of Economy, Commerce, and Business is empowered to sign agreements with the European Investment Bank Group.
- The General State Administration is authorized to make a contribution of up to 500 million euros to the European Commission for the creation of a Spanish Compartment within the InvestEU instrument. Additionally, it is authorized to provide an extra counter-guarantee of up to 120 million euros to cover additional contingent liabilities. The Minister of Economy, Commerce, and Business is empowered to sign agreements with the European Commission.

### Tax Measures

- The limits for applying the objective estimation method in the Personal Income Tax (IRPF) and the simplified regime, as well as the VAT special regime for agriculture, livestock, and fisheries, are raised until 2024.
- A tax credit in the Personal Income Tax is introduced for building works performed to improve homes' energy efficiency, with an annual maximum base of Euro 5,000 and a deduction rate of 20% or 40%, depending on the type of work.



- A free tax depreciation for investments made by companies in installations of self-consumption of renewable energy or replacing fossil energy is introduced in the Corporate Income Tax, with a limit of Euro 500,000 of expenditure per investment. The installations must start or finish in 2023 or 2024 as long as they are put into use during 2023 and 2024 respectively. Additionally, in order to apply to the incentive, during the 24 months following the beginning of the fiscal year in which the installation is put into use, the average headcount for the company does not change as compared to the average headcount of the 12 prior months (calculated according to the Labor Law).
- Reduced VAT rates are temporarily applied to certain foods (5%) and energy products (10%), as well as a zero rate to other basic foods.
- The tax rate of the Special Tax on Electricity is temporarily reduced to 2.5% or 3.8%, depending on the quarter, and a minimum tax of 0.5 or 1 euro per MWh is established, depending on the use.
- The tax base and the amount of installment payments of the Tax on the Value of Electricity Production are modified for 2024, reducing them according to the remunerations for electricity incorporated into the system in the first and second quarters.
- The coefficients of the Tax on the Increase in Value of Urban Land are reduced for 2024, depending on the period during which the increase in value is generated.
- The taxable base of the Temporary Solidarity Tax on Large Fortunes is modified, reducing the exempt minimum amount to Euro 700,000.
- The application of the Temporary Energy and Credit Institution levies and the Temporary Solidarity Tax on Large Fortunes is extended to 2024. The system for filing tax returns is modified, requiring complete completion and accompanying supporting documents.
- The filing process to submit the Wealth Tax return is modified.
- Changes are made to the approval and submission of the Personal Income Tax return forms. The obligation to declare in Personal Income Tax will be assessed electronically after the first filing campaign.
- The deadline to opt out and revoke the Personal Income Tax objective estimation method and the special simplified VAT regimes of agriculture, livestock, and fisheries are extended for the year 2024.
- Modification of the Economic and Tax Regime of the Canary Island. Changes are introduced from January 1, 2024, affecting advance investments and the validity of tax incentives for entities in the Canary Special Zone.

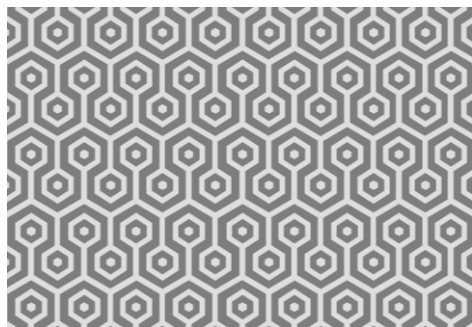
### Energy Measures

#### 3.1. Measures for the Orderly Incorporation of Renewable Energy Production Facilities into the Electrical System

- Extension of the administrative milestones for renewable energy generation facilities that obtained access and connection permits between December 31, 2017, and the enactment of Royal Decree-Law 23/2020, of June 23.
- Extension of the administrative milestones for pumped-storage hydroelectricity and offshore wind facilities.

#### 3.2. Regulation of Access and Connection to the Electric Power Transmission and Distribution Networks for the Promotion of Self-consumption, Electrification of Demand, and Decarbonization of the Industry

- Release of 10 percent of the capacity reserved for competitive tenders at the transmission network nodes for new renewable energy generation facilities associated with a self-consumption modality.
- Modification of the criteria for evaluating access capacity for demand facilities and procedures for holding demand contests.



### 3.3. Extension of Measures to Counteract the Economic and Social Consequences of the Ukraine War

- Extension until June 30, 2024, of the support mechanism to ensure the competitiveness of the electro-intensive industry.
- Extension until June 30, 2024, of the scheme for temporary flexibility of electric energy supply contracts.
- Extension until June 30, 2024, of the measures for suspension of natural gas supply and flow reduction for vulnerable consumers and self-employed individuals.
- Extension until June 30, 2024, of the discounts on the social electricity tariff, guarantee of water and energy supply to vulnerable consumers, and the temporary application of the social electricity tariff to working households with low incomes particularly affected by the energy crisis.

### 3.4. Other Energy Measures

- Allocation of a portion of the electrical system's surplus revenue from charges related to the 2022 financial year closure, to the charges for the 2024 financial year.
- Maintenance of the electrical system charges from 2023 for the 2024 financial year.
- Extension of the deadline for issuing limited operational notifications for electrical installations that opt into the specific remuneration regime.
- Revision of the list of just transition nodes to facilitate access and connection of renewable installations in areas affected by the closure of thermal or nuclear power plants.
- Update of the remuneration parameters for electricity generation facilities using renewable energy sources, cogeneration, and waste for the first half of 2024.
- Setting of unit values for financing the social tariff and supply costs for vulnerable consumers and working

households with low incomes, particularly affected by the energy crisis for the year 2024.

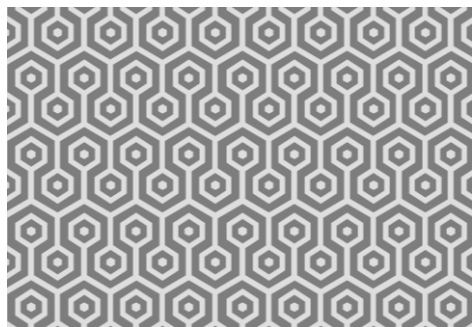
- Establishment of the value of the adjustment factor for outstanding amounts for the indexing of voluntary prices for small electricity consumers to forward signals and reduction of its volatility for the year 2024.
- Amendment of Law 34/1998, of October 7, on the hydrocarbons sector, to strengthen the obligations of communication, publication, and transparency for holders of fixed storage and transport facilities for oil products, as well as to establish the possibility of declaring the extinction of the authorization to act as a wholesale operator of oil products in case of serious non-compliance.
- Modification of Law 24/2013, of December 26, on the Electric Sector, to allow the inclusion of non-economic criteria in competitive bidding processes for the awarding of the specific remuneration regime to renewable installations, as well as to establish the expiry of access and connection permits for demand installations if an access contract proportional to the granted access capacity is not formalized.

### Support Measures to Alleviate the Drought

#### 4.1. Management and Support Measures for Water Supplies and Irrigation

- Exemption from the regulation fee and water use tariff for users who have suffered reductions in allocations due to the drought.
- Immediate implementation actions and priority actions in basins affected by drought, with a declaration of public utility and urgent occupation of property and rights.
- Exceptional administrative measures to modify the conditions of use of public hydraulic domain, priority criteria for resource allocation, conditions of discharge authorizations, and the operating regime of hydroelectric uses.





- Creation or maintenance of Permanent Drought Commissions in the hydrographic demarcations of Guadalquivir, Guadiana, Segura, and Ebro, with functions to study and assess exceptional administrative measures.
- Authorization for the execution and commissioning of exploratory drilling, wells, or water capture works that allow the provisional contribution of new resources, as well as the temporary imposition of aqueduct easements.
- Temporary and exceptional authorization of water use right transfers that do not respect the order of preference defined in the hydrological plan of the demarcation or in article 60.3 of the consolidated text of the Water Law, respecting the supremacy of population supply and the regime of ecological flows.
- Possibility for holders of rights assigned to publicly initiated irrigation zones to enter into water use right transfer contracts, subject to a report from the Ministry for the Ecological Transition and Demographic Challenge.
- Non-compensable nature of the adopted measures, including limitations on the use of public hydraulic domain.
- Urgent processing of procedures affected by the application of exceptional measures, with reduction of deadlines and simplification of procedures.
- Specific sanction regime for non-compliance with the adopted measures, particularly affecting the order and use of the public hydraulic domain.

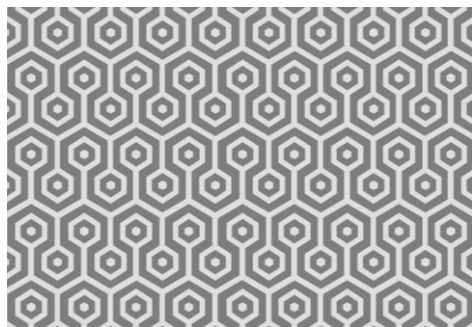
#### **4.2. Amendments to the Consolidated Water Act, enacted through Royal Legislative Decree 1/2001, dated July 20th:**

- Amendment of Article 60.3 to prioritize hydraulic energy storage as a key category over other industrial uses for the production of electrical power.

- Inclusion of an Additional Disposition eighteenth to enable the repowering of existing reversible hydroelectric plants through a new concession for the same purpose and use, with a term sufficient to amortize the investment, not exceeding 50 years.

#### **Transport Measures**

- A system of direct subsidies to autonomous communities and local entities providing urban or interurban collective transport services is established. This is to reduce the price of season passes and multi-trip tickets by 50% throughout 2024.
- Two extraordinary credits of 420 and 240 million euros are approved to finance these direct subsidies for autonomous communities and local entities, respectively.
- Beneficiaries, requirements, deadlines, management, co-financing, and allocation of resources from the direct subsidies are determined by ministerial order.
- The direct subsidies are compatible and can be accumulated with other grants or transport aids, except for those granted to the autonomous communities of the Balearic and Canary Islands due to their insular status.
- A 100% discount on the ticket price is established for frequent users of public road transport services under the jurisdiction of the General State Administration for 2024.
- An extraordinary credit of 600 million euros is approved to finance the 100% ticket price discount for public road transport services under the General State Administration.
- The conditions for marketing, use, validity, and expiration of travel tickets, as well as the obligations of concessionaires and the procedure to link the discount to a minimum travel recurrence, are determined by a resolution of the Secretary of State for Transport and Sustainable Mobility.
- A system of advance payments and four-monthly settlements to road transport concessionaires is established for the loss of income derived from the discount.

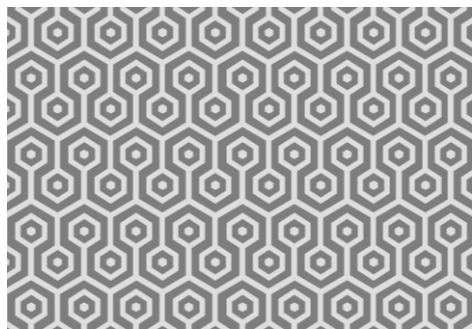


- A free multi-trip ticket is created for frequent users of the Cercanías and Rodalies services on the conventional gauge and metric gauge railway networks throughout 2024.
- A complimentary multi-trip pass is being introduced for regular users of the Mid-Distance Rail Services, available on both the conventional and metric gauge networks declared as public service obligations by the competent administrations. This includes the AVANT service between Ourense and A Coruña, the AVANT service between Madrid-Salamanca, and the mid-distance service between Alicante and Murcia on the high-speed network, throughout 2024.
- A 50% discount is being established for frequent users of multi-trip tickets on AVANT railway services, designated as public service obligations. This excludes services between Ourense and A Coruña, Madrid-Salamanca, as well as Mid-Distance services on the Murcia-Alicante route on the high-speed network, for the year 2024.
- An extraordinary credit of 600 million euros is approved to finance the creation and discount of the multi-trip tickets for Renfe Viajeros SME SA's railway services.
- The limitations and conditions regarding the application of free travel and discounts on multi-trip tickets for Renfe Viajeros SME SA's railway services will be determined by a resolution from the Secretary of State for Transport and Sustainable Mobility.
- The General Administration of the State is considering taking over the settlement of compensation in favor of Renfe Viajeros SME SA for services provided to transport consortia or other public entities managing metropolitan transport, on the condition they commit to using such funds to reduce the price of integrated multimodal tickets involving Renfe's Commuter services during 2024.
- A subsidy of 81 million euros is being allocated to the Autonomous Community of the Canary Islands to establish a 100% discount on the price of season tickets and multi-trip tickets for collective land public transport in the Canary Islands, in acknowledgment of the islands' geographical uniqueness.
- A subsidy of 43 million euros is being allocated to the Autonomous Community of the Balearic Islands to establish a 100% discount on the price of season tickets and multi-trip tickets for collective land public transport in the Balearic Islands, also in recognition of the islands' geographical uniqueness.
- The requirements, deadlines, management, and allocation of resources for the subsidies to the Canary and Balearic Islands will be determined by ministerial order.

### Social Measures

#### 6.1. Social Security Measures

- Extension of deferrals in Social Security contributions for businesses and self-employed individuals affected by the volcanic eruption in La Palma.
- Extension of the cessation of activity benefit for self-employed individuals who have ceased their activities due to the volcanic eruption in La Palma.
- Extension of contribution exemptions for businesses and workers on Temporary Employment Regulation Files (ERTE) due to the volcanic eruption in La Palma, specifically in the areas of Puerto Naos and La Bombilla.
- Revaluation of pensions and other public benefits by 3.8 percent for 2024, with certain exceptions and specific conditions.
- Increase in the pension supplement for reducing the gender gap by 8.8 percent for 2024.



- Increase in the minimum amounts of contributory pensions in the Social Security and Passive Classes system for 2024.
- Inclusion of external academic internships of students from Higher Artistic Education, professional artistic education, and sports education in the Social Security system.
- Amendment of the second transitional provision of the consolidated text of the General Social Security Law to adapt the contribution regime of self-employed workers to the new minimum contribution base.
- Modification of the fourth additional provision of the consolidated text of the General Social Security Law to regulate the management of the non-contributory minimum income vital allowance by the common regime autonomous communities.

### 6.2. Labor Measures

- Extension of the Temporary Force Majeure ERTE (Temporary Layoff Scheme) due to the volcanic eruption in La Palma until June 30, 2024.
- Prohibition of layoffs due to increased energy costs for companies benefiting from the direct aid outlined in this document.
- Ban on layoffs for reasons related to the invasion of Ukraine for companies that adopt reduced working hours or contract suspension measures and receive public support.
- Extension of the validity of the interprofessional minimum wage for 2023 until the new one for 2024 is approved within the framework of social dialogue.
- Amendment of Royal Decree-Law 1/2023, dated January 10th, on urgent measures in labor hiring incentives and enhanced social protection for artists, to expand the scope of the bonus for hiring research personnel under predoctoral contract schemes and to relax the requirement of registration as a job seeker to access cessation of activity benefits for artists.

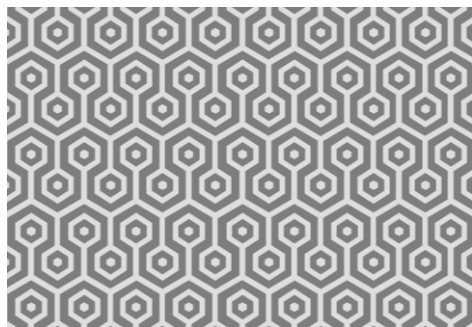
### 6.3. Housing Initiatives

- Introduction of a guarantee scheme for financing the development of social housing or affordable rental properties, as well as for the improvement of the existing housing stock designated for social or affordable rent, utilizing funds from the Recovery, Transformation, and Resilience Mechanism.
- Amendment to Article 1 bis of Royal Decree-Law 11/2020, dated March 31, extending the duration and terms of the extraordinary suspension of eviction or repossession of the primary residence of individuals without legal authorization who are in a state of economic vulnerability until December 31, 2024.
- Revision of the third transitional provision of Law 12/2023, dated May 24, concerning the right to housing, to extend the moratorium on evictions from social housing until December 31, 2024.
- Alteration of Royal Decree 401/2021, dated June 8, to broaden the duration and criteria for compensation to owners and landlords of properties affected by the extraordinary suspension of eviction or repossession as stipulated in Royal Decree-Law 11/2020, dated March 31.

### Additional Measures

#### 7.1. Measures for Repairing Damage Caused by Volcanic Eruptions in La Palma

- A new application period is opened for the suspension of interest and principal payment obligations for loans and credits, both mortgage-backed and unsecured, granted to those affected by seismic movements and volcanic eruptions.
- An additional provision is introduced in Royal Decree-law 20/2021, dated October 5th, to regulate this new application period and the conditions for an additional six-month suspension.



### **7.2. Measures for the Transformation and Modernization of the Electric and Connected Vehicle Sector**

- The execution deadlines for projects under the aid line for comprehensive actions in the industrial chain of the electric and connected vehicle within the Strategic Project for Economic Recovery and Transformation in the Electric and Connected Vehicle sector (PERTE VEC) are extended.
- The requirements and procedure for applying for and granting the extension of deadlines, as well as the maximum limits of the same, are established.

### **7.3. Measures for the Transformation and Modernization of the Tourism Sector**

- The execution and justification deadlines for financeable actions are extended, as well as, where appropriate, those set out in the grant resolutions for aids called for the tourism sector, within the framework of the Recovery, Transformation and Resilience Plan.
- The ministerial orders regulating the aids affected by the extension of deadlines are listed.

### **7.4. Measures for the Expansion of Pensioners' Rights, Reduction of the Gender Gap, and Establishment of a New Framework for the Sustainability of the Public Pension System**

- The amounts of remuneration for non-university teaching staff and public administration researchers with full competencies in education are recalculated, increasing them with the employer's share of the Intergenerational Equity Mechanism quota.
- The provisions contained in Article 19 of Law 31/2022, dated December 23rd, on the General State Budget for the year 2023, relating to the increase in remuneration for personnel serving the public sector, are applied.

### **7.5. Measures for Granting Deferrals and/or Installment Plans, Without Requirement of Guarantee, for the Payment of Public, Non-tax and Non-customs Debts Arising from the**

### **Reimbursement and/or Refund of Grants or Loans Provided by the Central Government**

- A special procedure is established for those liable for these debts to request deferrals and/or installment plans during 2024, provided that the ongoing economic impacts of the war in Ukraine have caused a reduction in their sales volume, significant increases in production costs, or disruptions in the supply chain.
- The requirements, documentation, deadlines, and conditions for granting these deferrals and/or installment plans, with a dispensation of guarantee, are determined.

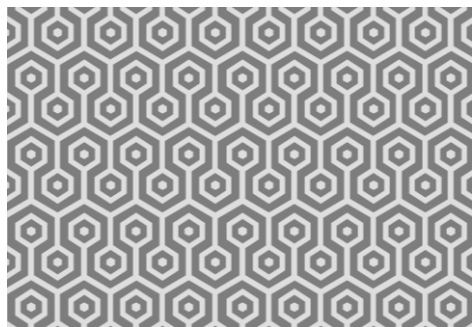
### **7.6. Measures for the Development of the Main Hydrogen Network**

- Natural gas network operators are authorized to submit a non-binding proposal for the development of the main hydrogen infrastructure and to act as representatives in the European Network of Hydrogen Network Managers.
- A provisional regime is established for the development of the main hydrogen network in the context of European common interest projects, through horizontally separate legal entities and by agreement of the Council of Ministers.

### **7.7. Measures to Expedite the Tendering and Execution of Certain Road and Rail Infrastructures in Catalonia**

- The road infrastructures to which measures are applied to expedite their tendering and execution are listed, within the framework of agreements between the State and the Generalitat of Catalonia.
- It is established that the Generalitat of Catalonia may tender, contract, monitor, and supervise both the works and the technical assistance linked to them, as well as assume ownership of the infrastructures once completed.
- Anticipated disbursement of contributions to the Generalitat of Catalonia for the execution of railway infrastructures will be made, without the need to provide the legally required guarantee.





### **7.8. Access and Connection Permit Measures for Demand Facilities**

- Criteria are set for identifying nodes likely to undergo demand contestation, as well as the procedure for resolving these demand contests.
- Conditions for the submission of guarantees for already granted access and connection permits for demand facilities are determined, along with the consequences of non-compliance.
- A deadline is set for the commencement of actual consumption by demand facilities with access and connection permits granted prior to the enactment of this royal decree-law.

### **7.9. Measures for Granting Water Concession for Hydraulic Energy Storage**

- It is established that in the procedures for granting water concession for pumped-storage hydroelectric plants initiated before the enactment of this royal decree-law, and in cases that might affect hydroelectric uses with ongoing concessions, the Basin Agency will order and notify the reversion of the concession procedure to the stage before the project competition phase, so that its holder can participate in it.

### **7.10. Measures for Quotation for Training Internships or External Academic Practices**

- A transitional regime is established for the quotation for conducting training internships or external academic practices included in training programs, until the General State Budget Law for 2024 is approved.
- Unique monthly or daily fees are determined for common and professional contingencies, depending on whether the internships

are paid or unpaid, as well as the applicable reductions.

- An exceptional period is established to communicate to the General Treasury of the Social Security the registrations and deregistrations in the Social Security corresponding to the start or end of unpaid training internships occurring between January 1 and March 20, 2024.

### **7.11. Amendments to the Horizontal Property Law:**

- Includes changes regarding the authorization of construction works, removal of architectural barriers, and enhancements in energy efficiency for horizontal properties.

### **7.12. Amendments to the Law on Legal Assistance to the State and Public Institutions:**

- Introduces alterations in the State's territorial jurisdiction and permits videoconference appearances in certain judicial proceedings.

### **7.13. Amendments to the Competition Defense Law:**

- Adds provisions to assist the European Commission in inspections and to use information gathered in investigations to enforce national law.

### **7.14. Amendments to the Civil Registry Law:**

- Implements the Central Office and Consular Offices, adapting functions to the Legal Advisors of the Administration of Justice.

### **7.15. Amendments to the Eurojust-Related Law:**

- Alters the remuneration scheme for certain positions linked to Eurojust, maintaining original salaries and setting allowances for assignments abroad.