

EMERGING TECHNOLOGIES, THE PROTAGONISTS OF THE FUTURE

IBERDROLA RENOVABLES' determined bet on innovation allows the company to continually improve the efficiency of its assets.

Wave energy project at Santoña (Cantabria).



During 2008, IBERDROLA RENOVABLES continued to carry out the actions included in its 2008-2012 Strategic R&D Plan, which contemplates initiatives and projects in new technologies for the generation of energy from renewable sources.

Throughout the year, the Company invested more than 12 million euros, almost 50% more than in 2007 (see chart).

PRINCIPAL INITIATIVES

Particularly worth mentioning in the area of new energy generation technologies are the initiatives in connection with wave energy. Thus, in 2008, the Company opened the first wave-energy plant in Spain, located on the Cantabric coast at Santoña, where the movement of waves allows for the generation of electric power.

Work continues in Scotland, near the Orkney Islands, on the deployment of a 3 MW plant based on Pelamis technology, which plant will

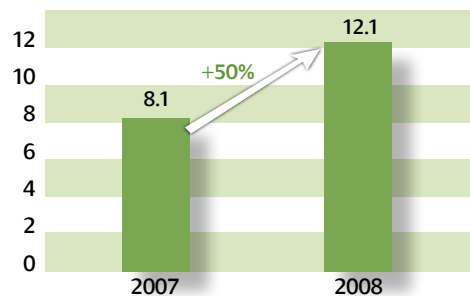
be the largest wave energy plant in commercial operation in the world. This and other IBERDROLA RENOVABLES initiatives are being developed at the EMEC (European Marine Energy Center), in northern Scotland.

Particularly notable among the research and development initiatives carried out during 2008 are the METEFLOW project for the prediction of wind energy production and data processing to improve forecasts; the expansion and enhancement of management capacity and communications systems at the Renewables Operation Center (CORE) in Toledo and the improvements in the DOMINA project, whose goal is to optimize asset maintenance and management.

In addition, in cooperation with IBERDROLA, the Company has organized PERSEO, a company funded with 6 million euros a year, to invest in initiatives having a high technological value in renewable energy and the environment.

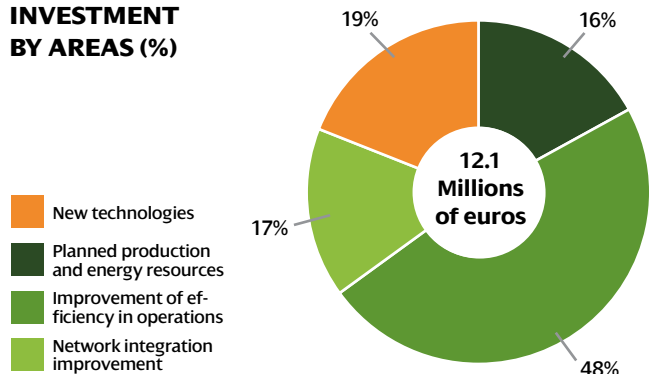
INVESTMENT IN R&D *

(Millions of euros)



* Investment in R&D in Spain

INVESTMENT BY AREAS (%)



(New technologies include thermosolar, wave and current energy, offshore wind energy and biomass energy).