

STRONG MOMENTUM AND FAVORABLE ENVIRONMENT

The significant regulatory progress in the United States and the European Union provides a strong boost for wind energy, making IBERDROLA RENOVABLES the principal driver of economic recovery in those markets.

The main regulatory progress seen in 2008 was the following:

UNITED STATES: STIMULUS BILL

In February 2009, US President Barack Obama, signed the Stimulus Bill, a package of measures calculated to revitalize the economy, which includes an extension of PTCs (Production Tax Credits) through 2012 for wind energy facilities, the conversion of such credits into ITC (Investment Tax Credits), at the option of investors, and the creation of federal funds managed by the US Energy Department to promote the development of renewable energy and transmission lines.

These regulations, particularly as regards the possibility of monetization of tax credits, will determine the speed at which the wind energy market will develop in the United States. In addition, progress will be made in 2009 in the passage of the Energy

Bill through Congress; the bill will foreseeably include a federal RPS (Renewable Portfolio Standard) system, based on certificates of origin, which will provide the final boost for the development of wind energy in the United States.

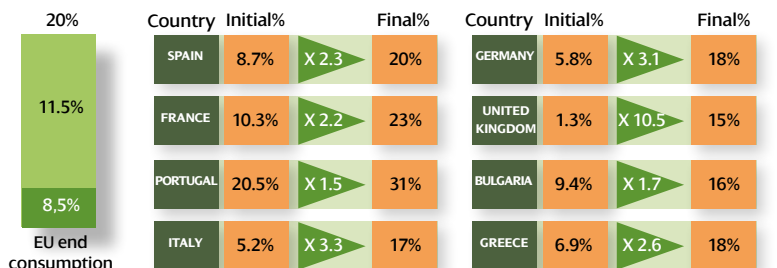
President Obama's electoral program also included highly ambitious wind energy goals, which involve doubling renewable energy output in the United States over the next three years, increasing installed capacity by 24,000 MW, in order for 10% of electricity consumed in 2012 to come from renewable sources, and 25% by 2025.

THE EUROPEAN UNION APPROVES DIRECTIVE 20/20/20

In 2008, a major step forward was taken towards a safe, sustainable and competitive European energy policy: in December, the European Parliament approved the final text of the Climate Change and Energy Package, a package of measures that includes the European Directive for the Promotion of Renewable Energy. This package sets three major goals to be achieved by 2020, as well as the mandatory nature thereof, thereby providing the necessary support for the development of the industry: reaching the point where 20% of final energy consumption comes from renewable sources and reducing greenhouse gas emissions by 20% from 1990 levels.

The Directive establishes a new legal framework, keeping domestic renewable energy support systems in place and setting ambitious and binding targets for all countries for participation in renewable energy. The overall target for the European Union for 2020 is for 20% of energy to come from renewable sources. The target for Spain is also 20%. The increases set for the markets that are most relevant to the Company's operations are significant (see chart).

BINDING TARGETS* FOR END CONSUMPTION OF RENEWABLE ENERGY IN THE EUROPEAN UNION FOR 2020



Percentage of end consumption covered by energy from renewable sources | Planned development to achieve target

* Source: European Directive for the promotion of energy from renewable sources