

## BABCOCK & BROWN WIND PARTNERS

Babcock & Brown Wind Partners Limited · ABN 39 105 051 616  
Babcock & Brown Wind Partners Trust · ARSN 116 244 118  
Babcock & Brown Wind Partners Bermuda Limited · ARBN 116 360 715  
Level 23 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia  
T +61 2 9229 1800 · F +61 2 9231 5619 · www.bbwindpartners.com



### ASX Release

6 December 2006

## **BBW PROVIDES UPDATE ON SPANISH REGULATORY REVIEW**

---

Royal Decree 436/2004 currently regulates the renewable energy and cogeneration tariffs in Spain. This Royal Decree also contained the requirement for a tariff review in 2006 that would be applied for wind farms put into operation after December 2007. However, as outlined below, the Spanish government has indicated its intention to extend its review to include wind farms already in operation.

In June 2006, the Spanish government published Royal Decree 7/2006, which established a six month period to develop a new tariff scheme for renewable energy and cogeneration projects. In line with this timing, the Energy Secretary announced on 29 November 2006 that a draft of a new Royal Decree in respect of a new tariff scheme for renewable energy and cogeneration projects had been sent for review to the National Energy Commission (CNE).

The sending of the draft Royal Decree to the CNE is the first step in a process that the Energy Secretary has indicated is intended to be finalised by late January or early February 2007. The process includes various stages of consultation and review, and is summarised below:

- The draft of the Royal Decree is sent to the CNE by the Energy Secretary/General Directorate for Energy Policy and Mines. The CNE is seeking to produce a report within a maximum term of 30 days.
- CNE undertakes a consultation process in respect of the draft report which includes consultation with industry participants such as the wind energy association for review and comments within 20 working days.
- The CNE issues a report making comments/proposals to change the draft. This report is not binding on the Ministry.
- The draft Royal Decree is sent to the Counsel of State, which will seek to produce a further report within a maximum term of 60 days.
- The Counsel of State makes comments/proposals to change the draft. This report is also not binding on the Ministry. These reports of the CNE and of the Counsel of State are sent to the Ministry, where the Technical Secretary of State produces a final report.
- On this basis, the Ministry produces a final Royal Decree which is raised to the Board of Ministries ("Consejo de Ministros") for its approval.

Although the draft of the Royal Decree sets out a less favourable tariff regime for wind farms in Spain than Royal Decree 436/2004, a number of sections of the draft require further clarification, which should be achieved during the consultation process described above. As a part of the consultation process, key wind energy industry organisations and companies will be seeking clarification and providing direct feedback to the Energy Secretary and the CNE. BBW is well represented in this process through senior level representation in the Spanish wind association. In particular, industry participants will be seeking to modify the Royal Decree so as not to apply to projects already in operation, as the current draft envisages, and to seek an improved tariff regime.

Following an initial review, BBW's understanding of the key terms of the draft Royal Decree is as follows:

- The two key remuneration options have been retained, representing the fixed tariff and market tariff options.
- Remuneration of wind farms varies with the age of the wind farms.
- The fixed tariff establishes a rate of approximately 77€/MWh for the first 5 years, reducing to approximately 70€/MWh after 16 years (2007 prices subject to inflation).
- The market tariff option establishes a cap and a floor ranging between approximately 70 to 87€/MWh for the first 5 years, reducing to a range of approximately 63 to 80€/MWh after 16 years (2007 prices subject to inflation). Actual market tariffs will continue to apply subject to the cap and a floor.
- The draft legislation includes a transitional period until 31 December 2010 for wind farms currently operational. During this period the Royal Decree 436/2004 market tariff remuneration premiums will continue to apply, subject to the cap and floor set out above.

As noted above, these details remain uncertain and subject to change through the review and consultation process. The wind association and other key participants in the Spanish wind energy sector are fully involved in the consultation and review process.

BBW will be an active participant in the review and consultation process and will be seeking a better outcome for wind energy producers than currently proposed by the draft Royal Decree.

Wind energy is a leading renewable power source in Spain with 10,027MW<sup>1</sup> of installed capacity, and continues to be driven by the need to reduce carbon emissions, the desire to improve security of energy supply and the increasing cost competitiveness of wind energy.

---

<sup>1</sup> Source: Global Wind Energy Council (GWEC) as at December 2005

BABCOCK & BROWN  
WIND PARTNERS

BBW has previously indicated that its internal budgets and forecasts are not based upon the market option tariff remaining at levels recently prevailing in the market. Whilst the current draft Royal Decree remuneration proposals are less than BBW anticipated, our initial review of the draft Royal Decree indicates that, in isolation, they should not detract from BBW's ability to meet its current distribution guidance.

BBW will provide further market updates and commentary on the Spanish regulatory review as details become available.

**ENDS**

---

**Further Information:**

Peter O'Connell  
Chief Executive Officer  
Babcock & Brown Wind Partners  
Phone: +61 2 9229 1800

Rosalie Duff  
Investor Relations Manager  
Babcock & Brown Wind Partners  
Phone: +61 2 9229 1362

---

## About Babcock & Brown Wind Partners

Babcock & Brown Wind Partners (ASX: BBW) is a specialist investment fund focused on the wind energy sector. BBW listed on the Australian Stock Exchange on 28 October 2005 and has a market capitalisation of approximately A\$850 million.

It is a stapled entity comprising Babcock & Brown Wind Partners Limited (ABN 39 105 051 616), Babcock & Brown Wind Partners Trust (ARSN 116 244 118) and Babcock & Brown Wind Partners (Bermuda) Limited (ARBN 116 360 715).

BBW's portfolio comprises an interest in or agreement to buy 23 wind farms on three continents that have a total installed capacity of approximately 1,150MW and are diversified by geography, currency, equipment supplier, customer and regulatory regime.

BBW is managed by Babcock & Brown Infrastructure Management Pty Limited, a wholly owned subsidiary of Babcock & Brown Limited (ASX: BNB), a global investment and advisory firm with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments. Babcock & Brown has a long history of experience in the renewable energy field and extensive experience in the wind energy sector, having arranged financing for over 3000MW of wind energy projects and companies for nearly 20 years, with an estimated value over US\$3 billion. Babcock & Brown's roles have included acting as an adviser/arranger of limited recourse project financing, arranging equity placements, lease adviser, project developer, principal equity investor and fund manager for wind energy projects situated in Europe, North America and Australia. Babcock & Brown has developed specialist local expertise and experience in the wind energy sector in each of these regions which it brings to its management and financial advisory roles of BBW.

BBW's investment strategy is to grow security holder wealth through management of the initial portfolio and the acquisition of additional wind energy generation assets. For further information please visit our website: [www.bbwindpartners.com](http://www.bbwindpartners.com)