**EU Guidance for Subsidies**

The EU adopted guidance for EU countries when designing and reforming renewable energy support schemes. This guidance suggests that:

* financial support for renewables should be limited to what is necessary and should aim to make renewables competitive in the market
* support schemes should be flexible and respond to falling production costs. As technologies mature, schemes should be gradually removed.
  + For instance, feed in tariffs should be replaced by feed in premiums and other support instruments that incentivise producers to respond to market developments
* unannounced or retroactive changes to support schemes should be avoided as they
  + undermine investor confidence and prevent future investment

**Policy Uncertainty: Spain**

* A more pertinent example for our case.
* Spain boosted investment by promising subsidies
* 10% return back in 2008
* Investments rose fivefold in 08.
* Costs reached almost 1% of GDP
* Subsequent cuts.
* Have been retroactively applied

**Vesta**

* Failing wind turbine business due to more competition and falling subsidies (in 2012)
* Restructuring and cooperation with Mitsubishi Heavy Industries
* Enter into off-shore wind turbines
* Again a world leader

**Related work: Policy Uncertainty**

* Optimal investment when the current support scheme will be terminated or revise in ways that make it less generous or more in line with market mechanism.
* The prospect of subsidy retraction increases the rate of investment if it is applied to new projects, while it slows down investment if it has a retroactive effect