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## SUMMARY OF THE SPANISH ENVIRONMENTAL MARKET FOR CANADIAN FIRMS

Since joining the European Community (EU) in 1986, Spain has experienced economic growth that has far outpaced that of the EU as a whole. Demands for investment in industry and infrastructure, as well as for increased social services, have directly competed with the need to spend environmental protection and clean-up. To date Spain has adopted much of the European Environmental Policy (EEP) to its own environmental policies although there are still a few that need implementing, including standards for water quality. Since January 1, 1993, when the Single European Market was established, Spain must now fully comply with all (EEP) environmental directives. An estimation indicated that from now until the year 2005, Spain will have to invest about Cdn. \$ 16 billion in municipal and industrial water/wastewater pollution control systems to meet European Community Standards.

Spain is hoping to receive about US\$ 7.5 billion over the next 5 years from the European Cohesion Fund to upgrade the environmental level of industry, municipalities and regions. Subsidies are currently available from a variety of funds through the Ministry of Industry and Energy and the Secretariat of State for Water and Environmental Policy. The subsidies are intended to encourage research and development of clean technologies; update existing factories; build on-site waste treatment, incineration or recovery facilities; encourage soil remediation; and build incineration, treatment, recycling and recovery plants.

The Ministry of Industry and Energy operates a fund called the Technological Industrial Plan for the Environment, which is designed to encourage research and development of clean technologies, streamlining of existing industrial processes, building of treatment plants, recycling plants and incinerators and soil remediation.

Since 1992 PITMA has given US\$ 86 million in subsidies to 988 projects.

There are three categories of subsidies under PITMA. Under the first, small firms trying to adapt to national environmental regulations can qualify for subsidies of up to 30 percent of a project's cost, while large firms are limited to subsidies of 25 percentage. PITMA's second category covers the development of clean or innovative technological processes in the environmental industry. Projects in this category can receive subsidies of up to 50 percent for new methods of treating waste, technology for environmental remediation and service industries within the environment engineering sector. The third category of PITMA's subsidies, which go up to 100 percent, support the development of technologies of specialized processes in industry or engineering that are useful in monitoring the environment.

The development of technology that helps Spain's Secretariat of State for Water and Environment Policy measure industrial toxic waste output would qualify in this category.

**MAIN ENVIRONMENTAL PROBLEMS IN SPAIN:** In the last few decades the Spanish society has become a developed society with an ample capacity to consume. This has resulted on important environmental problems, especially in urban areas and those cities that have experienced a great industrial development.

Major environmental problems in Spain are:

- Water conditioning
- Treatment of industrial and urban wastewater
- Urban solid wastes
- Incineration of wastes
- Soil degradation

1. The Spanish market for Water conditioning and treatment of industrial and urban wastewater offers excellent opportunities for Canadian firms. As of January 1, 1993, when the Single European Market was established, Spain must now fully comply with all EC environmental directives.

Since the Spanish regional governments are responsible for enforcing all water pollution control laws within their territories, these entities will be increasing pressure on heavy polluters such as metal surface treatment and finishing facilities, leather tanning and related industries, paper production plants, chemicals and petrochemical industries, paint manufacturers and textiles finishing plants to treat their wastewater before it is dumped into rivers or municipal sewerage systems.

The regional governments themselves will also be making significant investments in water/wastewater pollution control systems by building sewerage plants and sewers, and clearing rivers and other public waters. It is estimated that from now until the year 2005, Spain will have to invest -as reported above- about \$ 16 billion in municipal water/wastewater pollution control systems to meet EC standards.

These expected actions by the regional governments should present many opportunities both in specialized equipment and services for Canadian firms, whose market presence in this sector in Spain has been relatively minor until now. Best sales prospects include: pumps, turbines, settling tanks, sand, press and other filters; flow, turbidity, dissolved oxygen and Ph meters; reverse osmosis equipment; programmable controllers, desalinization equipment. There are also good opportunities for physico-chemical and biological processes and technologies and for environmental engineering companies and other service companies related to water pollution control.

2. Treatment and Disposal of Industrial and Urban Waste in Spain, the Spanish Ministry of Public Works, Transportation and Environment developed in late 1993 a "National Plan for Industrial Wastes (1993-1998)". The objective of this new plan is to make Spain self-sufficient in the treatment of all industrial waste, including toxic and hazardous waste, produced in the country. According to the plan, the investment required for this purpose will be about US\$ 1 billion, 50 percent of which will be disbursed by the Spanish central government. It is estimated that Spanish industry will receive about US\$ 200 million for improvement of its environmental production processes through this plan.

Spain produces about 14 million metric tons of industrial waste per year. Spanish producers of industrial waste can make use of one or several of the following means to treat/dispose of their waste: minimize, recycle or incinerate it at the production plant; store it at the producing plant; send to third party recovery, treatment disposal facilities; or export it.

PCB's and PCT's can be stored in the same plant or used in different types of equipment, but not recycled. Recycling of this kind of waste is prohibited in Spain.

The industrial toxic and hazardous waste which cannot be treated in Spain for lack of treatment facilities (mostly PCB's and PCT's), expired pharmaceuticals and waste produced by the manufacture of pharmaceutical products, solvents containing halogen and organic solvents not containing halogen are exported to France, the U.K and Holland.

Not all waste producers, however, use legal methods to dispose of their waste. A considerable amount of waste is still being illegally dumped into rivers or onto uncontrolled land because companies either do not have treating/disposal facilities (very few plants have incinerators), cannot afford to build them, and/or cannot afford or do not want to pay the high costs to treat their waste by third parties.

Regional governments inspectors and police as well as national police are responsible for enforcing the laws against illegal dumping. If offenders are identified and offenses proved, offenders are fined by the regional governments.

In some cases, regional governments take offenders to court and they can be sent to jail, if it proved that they committed an ecological crime.

In the last few decades there has been a significant increase in the volume of urban solid wastes. Spain produces approximately 1,5 t/person a year. The seasonal variations are considerable in some areas.

during the summer. Spain has a number of incineration plants almost all of them at municipal level for the disposal of solid urban wastes. This sector is dominated by the major Spanish construction firms.

Most concessionaries (of 37 provincial capitals) of solid urban waste collection services are under the control of construction firms. Business potential for the treatment and/or recycling of these urban solid waste is excellent for Canadian companies is excellent as in many cases those construction companies requires new technologies and processes.

3. Polluted Soil in Spain.- An inventory of polluted soil in Spain, prepared by the Spanish Ministry of Public Works, Transportation and Environment, has identified over 18,000 Spanish soil and subsoil polluters. The inventory also identified over 4,500 very polluted areas (black points). The cost for the remediation of only 250 of the worst of these black points is estimated at Cdn\$ 2.7 billion. The Basque Country is the most damaged region in Spain, not only due to a large number of black points in the region, but also due to the high toxicity of the polluting agents.

According to Ms. Christina Narbona, Secretary of State for Environment, the Basque Country will require an initial investment of Cdn \$ 300 to treat these areas.

She added that, although there are more black points in Catalonia than in the Basque Country, initial investment in Catalonia to treat black points will only require one of the largest investments for soil remediation - an estimated Cdn \$ 630 mln - due to the large black points in the region.

The total cost of the plan will be shared by the central government, regional and municipal governments, and polluting companies themselves.

Unless they plan to open their own offices or subsidiaries, Canadian manufacturers and exporters interested in the Spanish market need a competent local agent, distributors or representative well acquainted with local political dynamics and business customs. All companies must be able to provide technical assistance and local servicing. Equipment licensing and joint ventures with Spanish companies, particularly for engineering and recycling services, are excellent ways to penetrate the market.

Financing: Payments practices in Spain are cash and 60, 90 and 120 day terms. However, with large projects, and in dealing with central and autonomous governments and municipalities, payment conditions are established on a case by case basis. At present, however, actual payment by central, regional and municipal governments can be delayed up to nine months.

Spanish companies and foreign companies established in Spain can get subsidies for their environmental projects from regional governments but primarily from the following organizations:

#### **MINISTERIO DE MEDIO AMBIENTE**

(Ministry of Environment)

Nuevos Ministerios

Paseo de la Castellana, 67

28071 Madrid, Spain

Tel. 34-1-597 7000

Fax 34-1-597 8542

#### **MINISTERIO DE INDUSTRIA Y ENERGIA**

(Ministry of Industry and Energy)

Paseo de la Castellana, 160

28046 Madrid

Tel. 34-1-349 4000

Fax. 34-1-458 2019, 457 8066

As of January 1, 1993, customs duties have been eliminated from trade between EU members-countries. Spain applies the current EU Common External Tariff (CTX) on imports from third countries, including Canada. In addition, a 16% VAT is levied on all industrial waste treatment equipment, whether produced domestically or imported. European suppliers, with their lower transportation costs, enjoy an additional advantage as Spanish

import duties and VAT are levied on the CIF value of the item imported. Since there is a large variety of equipment for industrial waste treatment equipment, import duties for equipment imported from Canada cannot be determined unless the specific kind of equipment is known.

Electrical installations in Spain operate on 50 hertz cycles. Power is supplied at the rate of 125V and 220V (single phase) and 125V, 220V and 380V (triple phase).

Spanish regulations governing labelling, packaging and marking will depend on each type industrial waste treatment equipment. Further information on these regulations and specific technical and/or safety standards can be obtained from the following Spanish Agency:

**AENOR**

Fernandez de la Hoz, 52  
28010 Madrid, Spain  
Tel. 34-1- 310 4851  
Fax. 34-1-310 4976

**TRADE PROMOTION EXHIBITIONS****1) PROMA'97**  
Bilbao, Spain

Exhibit Organizer: Feria Internacional de Bilbao  
Recinto Ferial  
Plaza de D. Pedro Ma Basterrechea  
48013 Bilbao, Spain  
Tel. 34-4-441 5400  
Fax. 34-4-442 4222  
Biennial. Next exhibition: March, 1997

International exhibition devoted to environmental equipment, engineering companies and related services. The 1995 show occupied 14,000 square meters, with more than 263 exhibitors. A numbers of conferences took place during the exhibition. An estimated 13,500 professional visitors, both national and foreign, attended the show.

In 1993 Canada participated with an Information Booth, and in 1995 Canada has a National Stand, Canadian exhibitors were very pleased with the PROMA Exhibition and a few of them are interested and confirmed their participation in the next edition.

Canadian companies interested in participating in Proma'97 may get in touch with:

Mr. Isidro García  
Commercial Officer  
CANADIAN EMBASSY  
35 Nufiez de Balboa  
28001 Madrid, Spain  
Tel. 34-1-431 4300  
Fax. 34-1-577 9811

**2) EXPOQUIMIA**  
Barcelona, Spain

Exhibit Organizer: Fira de Barcelona  
Recinto Ferial  
Avda. Reina Ma Cristina  
Palacio No 1  
08004 Barcelona, Spain  
Tel. 34-3-423 3101  
Fax. 34-3-423 8651

Triennial. Next Exhibition: October, 1996

EXPOQUIMIA is the largest chemical show in Spain and one of the largest in Europe. It features the following sub-sectors: laboratory techniques and analytical instruments; micro-chemistry; research and development; capital goods for the chemical and pharmaceutical industries; pumps, valves and compressors; packing and packaging techniques; energy saving; water and fluids treatment; environmental control equipment; raw materials; chemical products; and semifinished and finished plastics. In 1993, 70,000 visitors, both national and foreign, attended the show. EXPOQUIMIA'96 is expected to occupy over 45,000 square meters and attract more than 700 direct exhibitors. Over 10 conferences will be given during the show.

There are a number of Spanish manufacturers of conventional industrial waste treatment equipment, such as pumps, compressors, agitators, conveyors and certain types of incinerators, but specialized equipment for industrial waste treatment is imported or manufactured under foreign licenses. No production or export statistics are available.

Most industrial waste equipment is imported from Germany, France, Belgium and The Netherlands.

**Competitive Factors:** The most important factors for the sale of industrial waste treatment equipment in Spain are: the level of technology, price, delivery terms and technical support. Other competitive factors are the level of import duties and transportation costs.

At the request of the Canadian companies the Embassy in Madrid will be most than pleased to give names of leading Spanish manufacturers of industrial waste disposal equipment, that in the majority of the times are open to explore the possibility of a joint-venture or technology transfer.

The Environment sector is a priority for the Commercial Division of The Canadian Embassy in Madrid, Spain. This sector offers excellent business opportunities for Canadian companies. Spanish firms are capable of only limited response to the domestic demand that according to all sources consulted represents a market of US\$ 16 billion over the next five years to bring local industrial plants up to European Union environmental standards.

We have found that Canadian firms may wish to market-position themselves in Spain for several reasons:

- Spanish government declared intend to resolve the several \$ billion environment deficit to comply with EC environment directives;
- Spain's historical links in the Americas and its government's expressed interest in forming strategic alliances with Canada to resolve environmental problems. This is in line with current year's ITBP, the formation of Strategic Alliances for markets such as Mexico and Latin America.
- There are few Spanish companies that realizes that Canada is a significant financial contributor to the World Bank and all regional development banks. They know well that as result of it Canadian companies are eligible to bid on projects funded annually in developing countries by these institutions, some of these Spanish companies are very interested in reaching strategic alliances with Canadian firms for the developing countries.

The International Environmental Technology Demonstration Program related to assist market entry and to adapt and demonstrate technologies in developing countries, with emphasis on clean processes and proven technologies should be an ideal tool to penetrate the Spanish market and facilitates the S&T between firms of both countries.

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