Main Findings of the Italian Country Desk

Taking into account these latest inputs as well, the most significant findings that have come out of the enquiry among Italian stakeholders can be summarised as follows.

1. The answers to most questions in the questionnaire showed some identifiable trend. There was often fairly good cohesion between the two main stakeholder groups considered (namely the RES-E Producers and Manufacturers, on the one hand, and the Outside World, on the other). Some noteworthy discrepancy however came up in fewer cases.
2. The former CIP 6/92 feed-in tariff system got better efficiency ratings than the current Quota/TGC mechanism as regards new RES-E capacity deployment, risk to investors, understanding by financing institutions, fair deal with different sources. On the contrary, its cost to the whole electrical system at large was deemed higher by most stakeholders, especially of the Outside World. Some interpretations of the reasons underlying these judgements were given at the meeting especially by APER. Particularly, the lower level of understanding of the TGC mechanism by financing institutions may well have ensued from the fact that this mechanism was still a rather new concept; therefore it is likely to be better understood later on as it proves viable; on the other hand, it must be acknowledged that this mechanism certainly offers less certainty of income in the long term. The higher cost to the system the CIP 6/92 feed-in mechanism was attributed by most RES-E actors is questionable and deeper investigations should be carried out before stating that for sure.
3. Today's Quota/TGC system was deemed more compatible with the liberalised electricity market than the CIP 6/92 feed-in mechanism. This outcome, too, was found questionable by some attending the meeting, who stated that the Italian TGC system, as it is now, should be defined as a hybrid mechanism, rather than a fully

market-based one, owing e.g. to the fact that the market price of TGC is biased by the fixed price of the TGC sold by GRTN.

4. The recent extension of TGC to some actually non-RES-E plants (non-biodegradable waste, hydrogen, fuel-cells, thermal energy for district heating from CHP plants) was definitely blamed by most RES-E actors. This result could have been somehow different if other, non-electrical actors in the energy field had been interviewed.
5. The compatibility of the Italian TGC linked to the quota obligation with the TGC market throughout the European Union was mostly judged rather poor. The main reason was found in the reciprocity requirement and other restrictions, such as the obligation to feed the relevant electrical energy into the Italian grid.
6. A mandatory RES-E quota was felt to be quite necessary for maintaining the current rate of RES-E plant deployment, as other voluntary-based labelling systems (RECS, Guarantee of Origin etc.) could not give RES-E an equivalent boost in Italy.
7. There were differing views between the two main stakeholder groups (see above) about the usefulness of capital cost subsidies granted by local governments (thus adding to TGC income) for the deployment of competitive RES-E plants. RES-E Producers and Manufacturers were clearly in favour, but several other stakeholders of the Outside World did not see these subsidies as very useful or even stated they should be avoided.
8. In the opinion of most stakeholders, the Quota/TGC mechanism will still play a complementary or even prevailing role in boosting RES-E even after other systems (White Certificates, Emission Trading etc.) have come into force.
9. Only few stakeholders felt Italy is due or is likely to achieve fully its 2010 RES-E target set by the EU Directive 2001/77/EC (22 to 25% of gross electricity consumption from RES-E). A good percentage (55%), however, stated that this target can be achieved only in part. The meeting discussion pointed out that this prevailing opinion stemmed, in all likelihood, from the fact that some sources, such as small hydro and wind, have been going on at a brisk pace, whilst others, such as biomass and solar energy, are still heavily behind schedule for the lack of a more

suitable policy. Many RES-E producers, both in the questionnaire and at the meeting, complained of severe hindrances to plant construction ensuing from permitting, grid connection and public acceptance issues that are still to be settled.

10. Some harmonisation of national RES-E support systems in the EU was generally seen as necessary, but was mostly deemed feasible only after 2010. Only one out of four stakeholders thought it would be feasible within 2010.

11. Opposite views (48% in favour, 35% openly against) emerged about the prospect of changing somehow the current Quota/TGC system in the short term (next 5 years). Moreover, similar trends of diverging opinions were observed in both the main stakeholder groups considered.

12. When asked what kind of change they would however like best if the current Quota/TGC system were to be changed, the largest share of stakeholders stated that the preferred change should be aimed at reducing investors' risk by extending the availability of TGC beyond the first 8 years of plant lifetime. Fewer stakeholders wanted to go back to some kind of feed-in system. The need for RES-E investors to have more certain perspectives about their income also in the medium and long term came up as a key issue at the meeting as well. The current price of TGC was not seen as a guarantee by itself. Much more important is to have a good compromise between the price and the availability of TGC over a sufficiently long time span. Some RES-E producers expressed their fears that the TGC demand could shrink considerably in the near future if some of today's big TGC purchasers (e.g. Enel) were able (as they say) to deploy a larger number of new or re-powered RES-E plants of their own in the next few years, thus becoming even competitors in the sale of TGC. Hence the importance that the RES-E quota be updated further for some time after 2006 (a decree on this matter is still awaited, even though it was due for late 2004). The absence of a well-defined penalty on market actors not complying with the RES-E obligation was also raised as an issue at the meeting. This case has not yet occurred, but could come out in the future.

13. When asked in the questionnaire to define the main reason that would justify a change in the current Quota/TGC mechanism, the largest share of stakeholders

defined it as "financial" (namely the need to encourage more investments in RES-E plants). In this connection the subsequent issuing (late July) of a decree providing for feed-in tariffs over 20 years to support PV plants was welcomed and judged very positively at the meeting. This provision was seen as a necessary integration to the main system to help develop a technology like PV which is still under development and unfit for the TGC system. Going back to the questionnaire, stakeholders also mentioned, to a lesser extent, political reasons (need to adjust the national policy to that of other countries to facilitate EU-wide harmonisation) and economic reasons (need to minimise the electricity price to end-users). Technical reasons (need to bring RES-E quotas and TGC terms more in line with actually exploitable resources in Italy) came last. The discussion at the meeting pointed out that this, maybe surprising, last place of technical reasons can be justified by the relatively short time span assumed in the questionnaire for the change (within the next 5 years). On the contrary, technical reasons (actually linked with depletion of exploitable resources) would, in all likelihood, become prominent only later on.

14. The new chance to sell energy (independently of TGC) to a number of different customers on a liberalised electricity market was seen as a good additional (sometimes decisive) opportunity for RES-E producers.

15. However, in the opinion of most stakeholders, the preferred market should leave either way open to RES-E producers: selling energy on a liberalised market or, as an alternative, on a market regulated by tariffs.

16. Lastly, a somewhat unusual question on whether or not, in a market with an excess of energy offer, the offering price of RES-E could be set as an alternative electricity price reference unlinked from oil price fluctuations, raised differing and conflicting reactions. A prevailing position on this topic could not be found. This may also have been due, to some extent, to difficulty in understanding the question.