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A quick Outlook on the Italian Renewable Energy Market

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APER

Associazione Produttori Energia da fonti Rinnovabili Italian Association of RES-E Producers

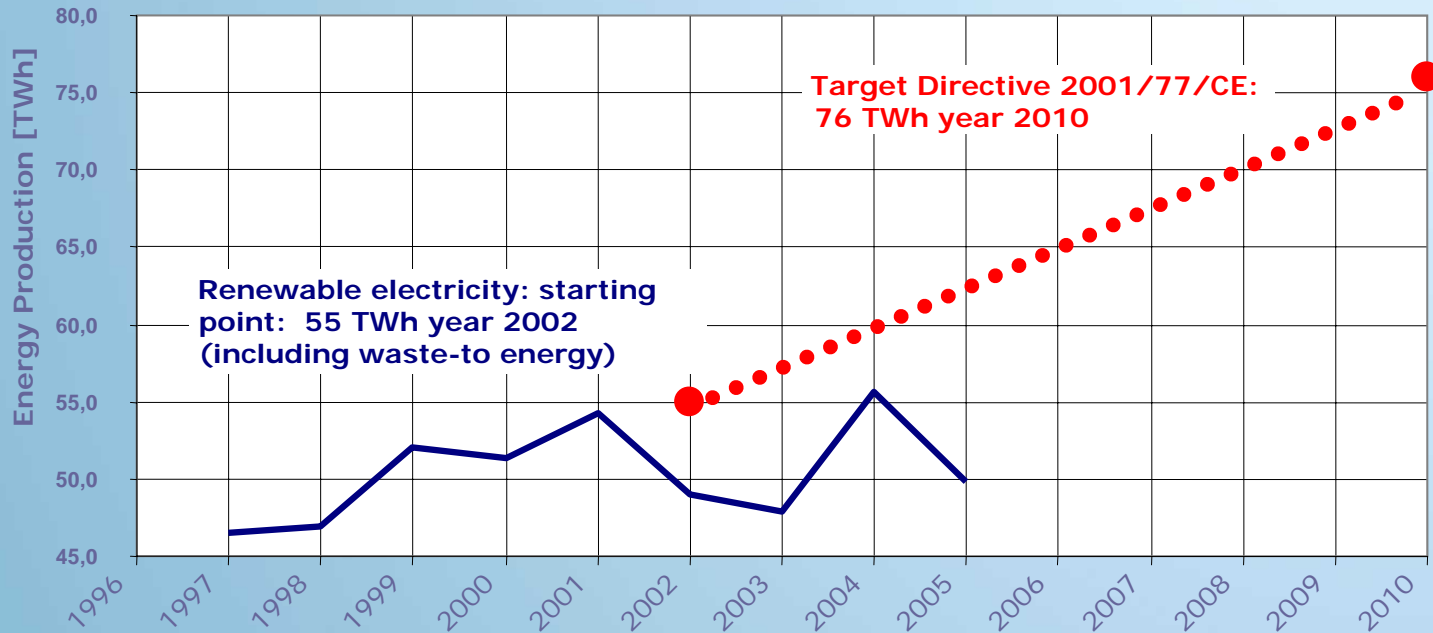
With over 300 members, APER acts as a non-profit association promoting the interests of RES-E Independent Producers and a wider culture of renewable energy in respect of the environment and sustainable development.

APER is a prominent actor in the Italian renewable energy scenario and its Associates, representing different sizes and technologies, guarantee the independence of its action.

- Producers > 300
- Plants > 400
- Total Capacity > 2.000 MW
- Renewable energy yearly production > 7 TWh



Status of RES in Italy and declared targets to comply with Directive 2001/77/EC

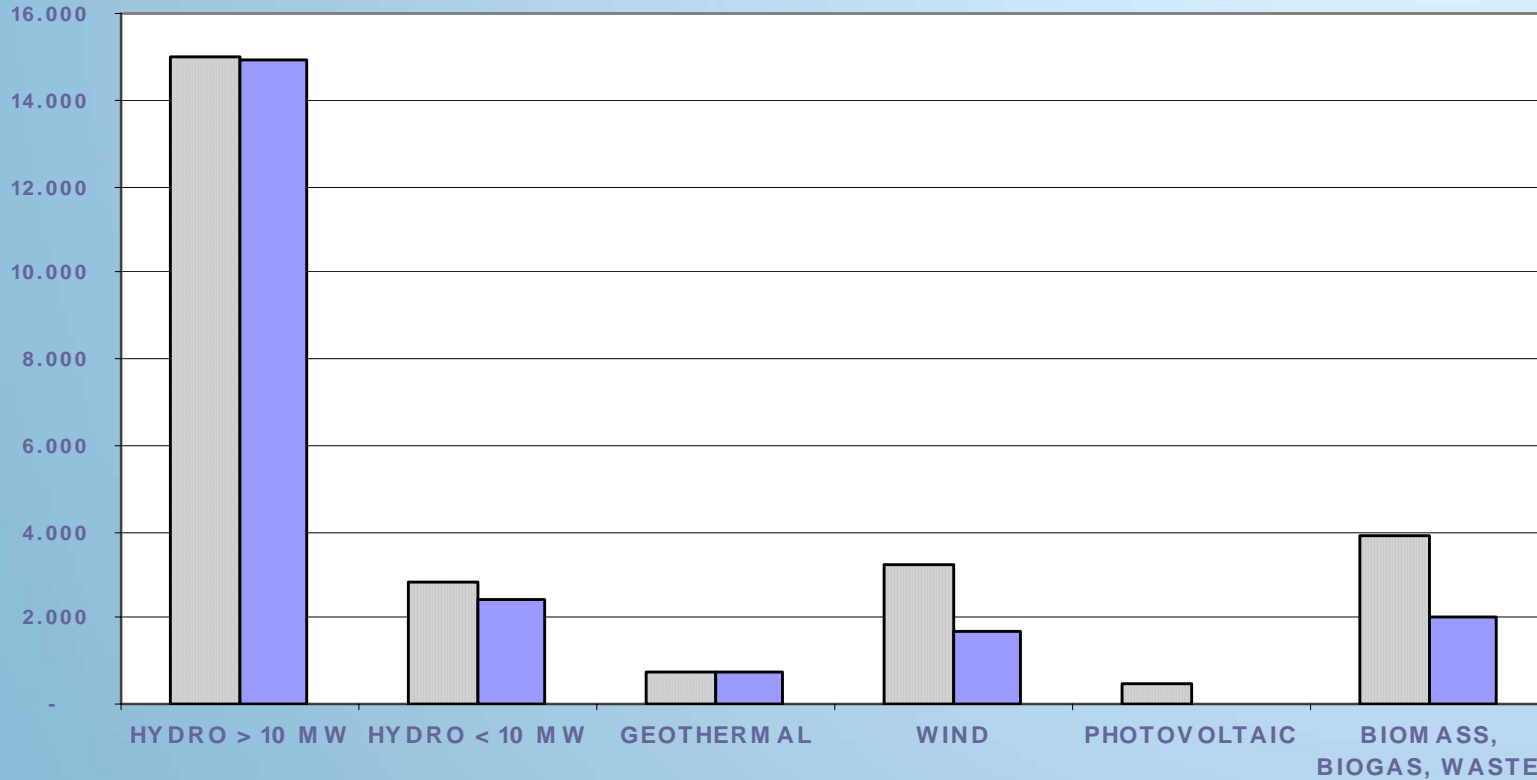


Directive goal achievement would mean to install new plants for over 20 TWh/y



Target 2008-2012 vs. Installed capacity by dec. 2005

A reasonable distribution by source



Grey: Target

Blue: installed dec. 2005

(Source: APER estimate and GRTN data)



An estimated cost of approaching the target

~ 4.500 MW of new capacity

8,5-11 Billion € of private investment

	Power to be installed [MW]	Investment Cost per MW [k€/MW]	Investment [M€]
Wind	1.500	900 – 1.200	1.250 – 1.800
Hydro	500	1.200 – 1.500	600 – 750
Biomass – Waste	2.000	2.000 – 2.500	4.000 – 5.000
PV	500	5.000 – 7.000	2.500 – 3.500
TOTAL	4.500		8.350 – 11.050



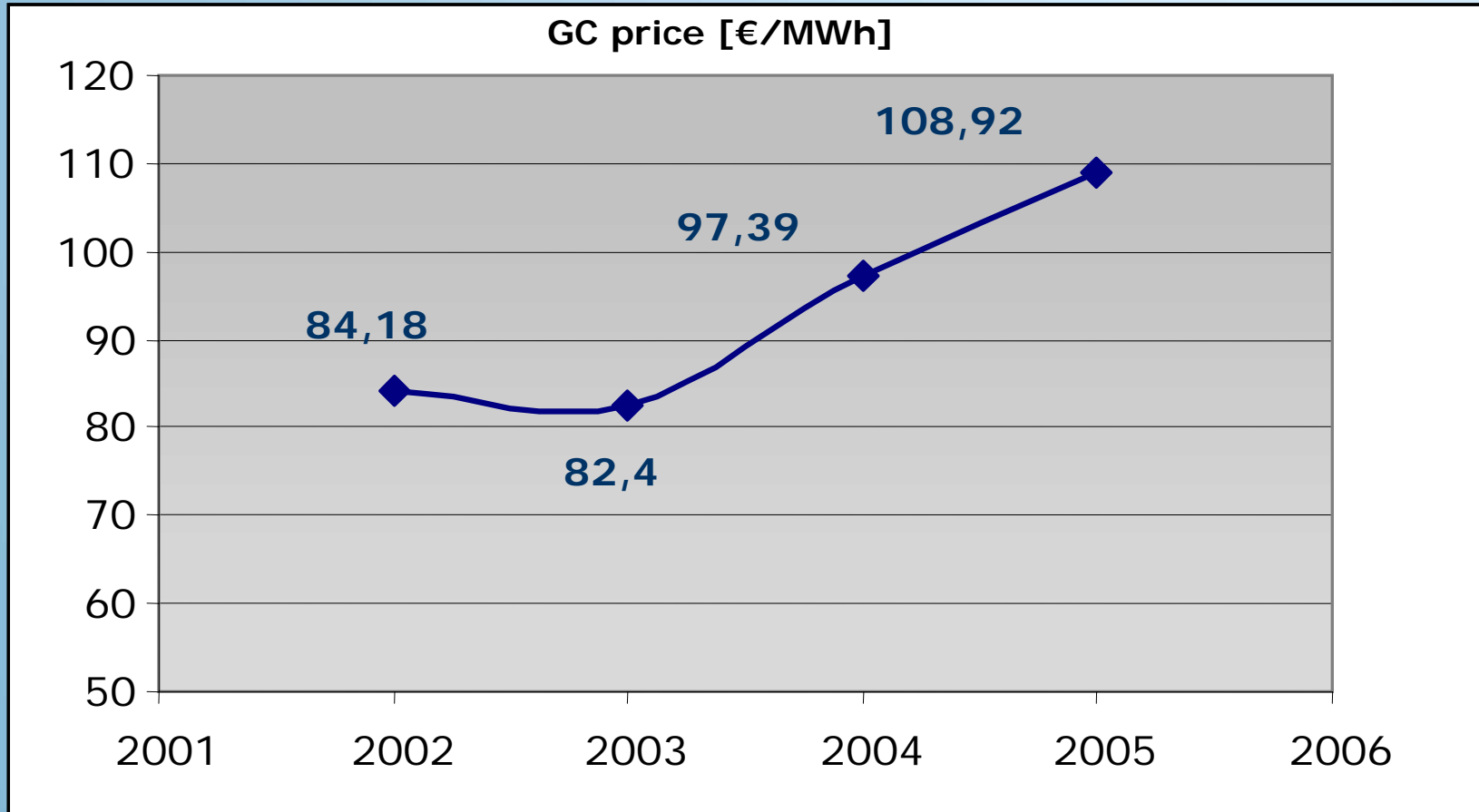
Italian Support Scheme (effective from year 2000 and revised year 2003)

1. Green Certificates (GC) represent the current scheme to incentivate power generation from RES in Italy.
2. Producers and importers of electricity from non-renewable sources shall yearly inject a given proportion of electricity (quota) from RES-E into the power system.
3. Producers and importers may also fulfill their obligation by purchasing Green Certificates.
4. The electricity generated by renewable-energy plants, (entered in operation or re-powered after April 1st, 1999) obtain GC for the first eight years (recently increased to 12 years) of plant operation.
5. The Green Certificates market should guarantee liquidity, transparency, competitiveness.
6. RES plants are qualified by GRTN (Former Grid Operator)



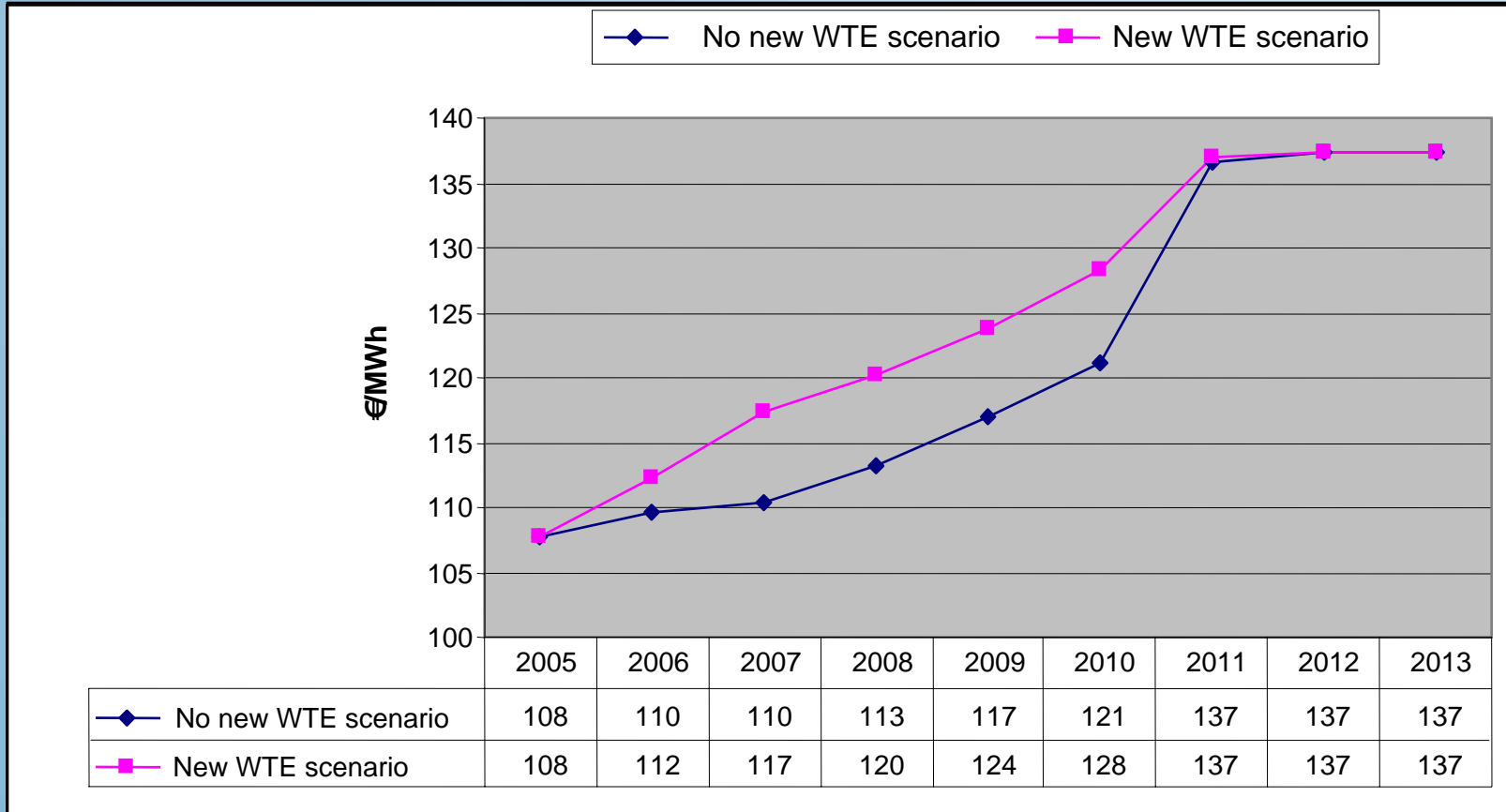
Support Scheme (2)

Since the beginning GC cap price has been growing due to administrative price definition criteria.



Support Scheme (3)

Different scenarios for future GC cap price (source APER)



Support scheme (4)

Critical aspects of current support scheme:

1. Non-controllable growth of GC price and unbalanced premium among the different RE sources
2. Offer/demand balance altered by the introduction, among with "pure" RE plants, of new categories of non RE plants (WTE and District Heating) eligible for Green Certificates.
3. As a consequence:
 - Total costs of the scheme may exceed sustainability for the system
 - Growing concerns about the long-term reliability of the support scheme are arising.

The new Government is considering revising the support scheme having in mind the German system.

A possible deadline for a revision is 2° half 2007



Main drawbacks for new investments

The lack of involvement of local governments in fixing the targets has determined local barriers in project administrative approval.

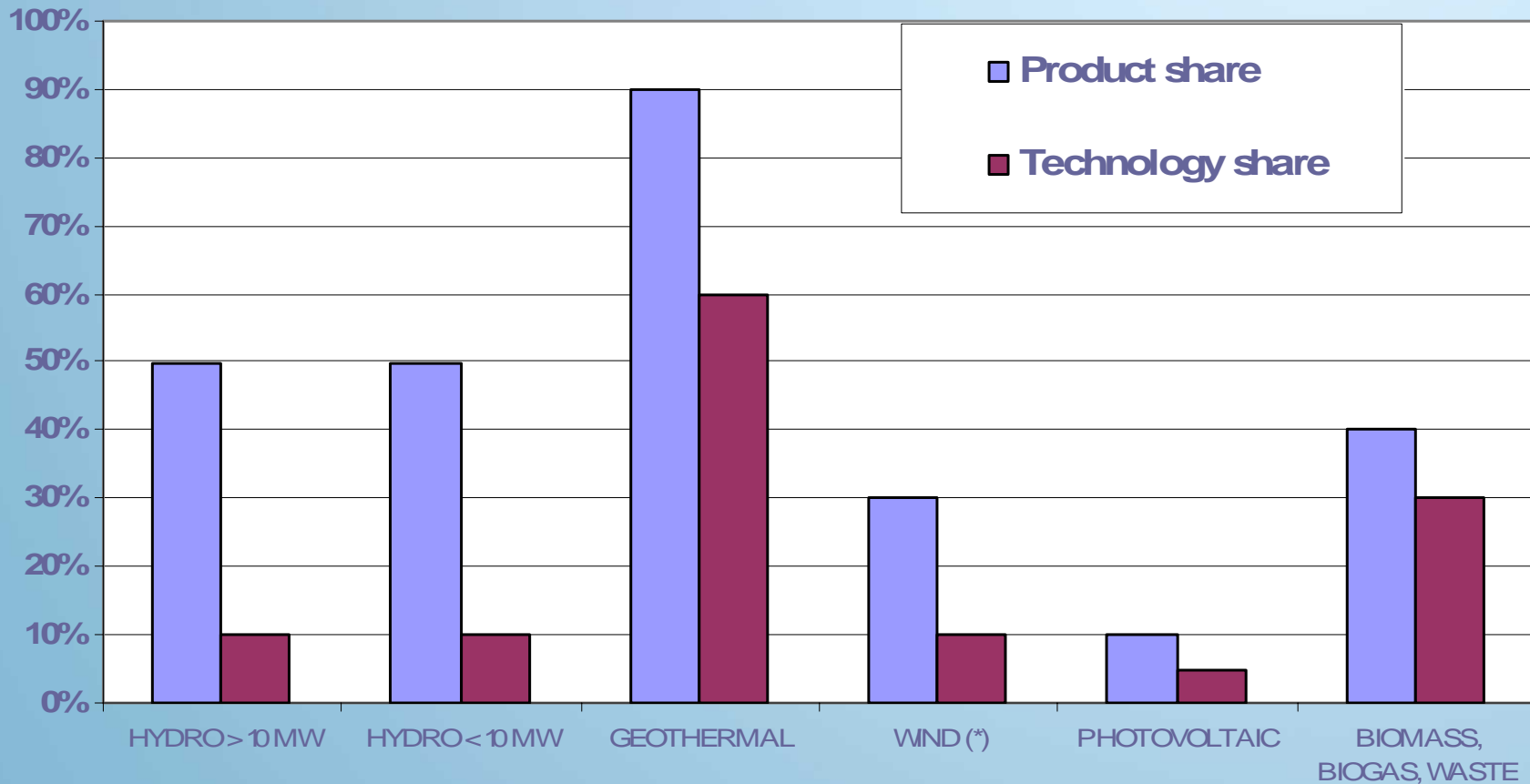
NIMBY: value of new RE installation has not been sufficiently promoted by public institutions and environment organisations.

The absence of an Italian RE industry prevents the use of employment leverage to promote new RE plants acceptance.



RE industry in Italy

A rough evaluation of Italian products share in new RES plants (excluding civil works)



RES Technology: innovation needs a stronger support

1. Increasing number of initiatives in innovation in the Italian clean energy sector;
2. R&D concentrated in small enterprises and universities;
3. Investment at a seed financing level by entrepreneurs or corporate investors;
4. Lack of VC investors for following stages (industrial/commercial start up, etc.);
5. Potential for a deal flow increase.



Conclusions



There is great room to invest in new plants with attractive returns

There are no reasonable concerns about a negative revision of the support scheme

Local community reluctance to host RE plants should be smoothed by the presence of “Greens” in present Government coalition

There are good opportunities to invest in RE industry and technology

Thank you!

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